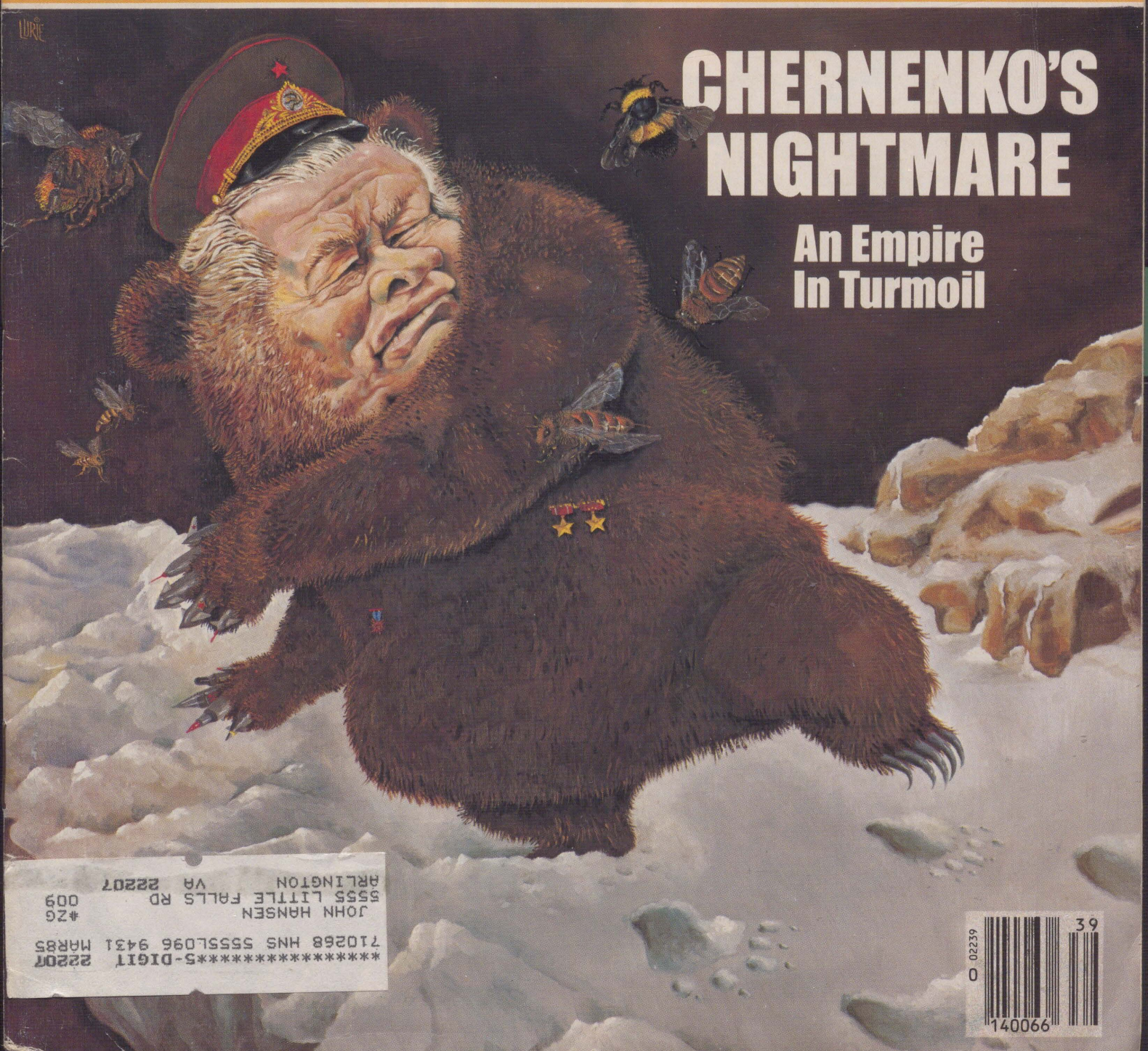
U.S. News & World Report

SEPTEMBER 24, 1984 $1.75

Mondale's Deficit-Cutting Plan—The Impact

How to Raise Children Right *Experts' Advice*



CHERNENKO'S NIGHTMARE

An Empire In Turmoil

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THOMAS J. O'HALLORAN—USN&WR

Library Director Kathleen Trimble, second from left, with her staff.

A Memo to Our Readers

If the trivia-game craze has not caught on with our staff librarians, it is because they already spend much of their workday looking up little-known facts.

"But combined as a team, we'd be tough," comments Director Kathleen Trimble. "I wouldn't want to play us."

Some of the questions they have answered for our reporters and editors: "When was the great cranberry scare?" "What was Jesse Jackson's Secret Service code name?" "What were the dates of Richard Nixon's wage-price freeze?"

Answers: 1959, "Thunder" and Aug. 15–Nov. 13, 1971.

Yet answering such specific questions is only a small part of the work our librarians do. Our staff sorts, reads, classifies, clips, files and retrieves information. The library helps reporters to ask better questions and write stories with more perspective.

Editors request such items as the text of the 1973 War Powers Resolution, a photo of a pirate or the names of experts on subjects ranging from toxic substances to Central America.

Our library staff members find such information in newspaper clippings, magazines, scholarly journals, government documents, news releases, annual reports, books, microforms and electronic data bases—not to mention the wealth of facts and figures in public, university, corporate and government libraries.

Trimble is assisted by staffers Rose Marie Atkinson, Tina Pauley, Cynthia Mumford, Alice Bell, Jean Milstead, Leland Neville, Kate Forsyth, Patti Tiffany, Tracy Shryer and Stacey Ratcliffe.

You will find the results of their work throughout this week's issue.

Bill Dunn

Publisher

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Letters → to the Editor

Human-Rights Record

Assistant Secretary of State Elliot Abrams's defense of the Reagan human-rights record [Interview, September 10] is riddled with self-serving delusion. Consider Argentina. President Carter's active, strong opposition to the "dirty war" there (where 5,000 to 20,000 private citizens were murdered) certainly reduced the level of tyranny. Reagan's warm endorsement of the generals probably provided the impetus for their attempted takeover of the Falklands. Only after this disaster did the masses open their eyes to the terror in their country and demand democratic elections.

The administration calls the Soviets the main threat to human rights, then supports the most repressive, brutal, right-wing military regimes.

GARY A. FOX
Middletown, Ohio

Abrams's comment that we could "risk losing the forest for the trees" was the most refreshing observation on human rights that I have read in a long time. The Soviet Union is the world's most flagrant abuser of human rights, and her military might and sponsorship of terrorism threaten the lives and freedom of every man, woman and child on our planet. One who doubts this need only remember the tragedy of KAL Flight 007 one year ago.

GERARD B. KOPCZYNSKI
Whitewater, Wis.

Cause and Effect

The reader who stated that J. D. Salinger's *Catcher in the Rye*, "more than any other single book . . . instigated the precipitous decline of American vocabulary and morals" [Letters, September 3] is confusing cause and effect. The opposite is true: The precipitous decline in American vocabulary and morals instigated Salinger's book. More than any other single book, this great literary work pinpoints the true causes of the "precipitous decline" the reader so rightly laments. I think that Salinger shared this sorrow. I bet that's why he wrote the book! And that's why he should be read.

CEDRIC F. MATTS
Virginia, Minn.

VIP Excesses

Your September 3 article revealing the excesses to which the Department of Defense goes to create a favorable image for foreign military officials ["Pentagon's Foreign VIP's Get Nothing but Best"] proves that it is not only spare-parts prices that are inflated at the Pentagon. It is obvious that there are too many inflated egos in the department, as well. If Defense spent its money more judiciously, it wouldn't have to worry so much about being called to task by the General Accounting Office and our free press.

PAUL S. KENDALL
San Antonio, Tex.

As a divorced working woman in the "single, no dependents" category (i.e., taxed to the eyeballs) who cuts her own hair, I was appalled to learn that I am paying for some Peruvian general's wife to have her hair done as part of the visiting-VIP program. Could the reason this nonsense goes on be that "U.S. officers get their share of reciprocal invitations," as stated in your very informative article? Rank has its privileges! And the IRS wonders why so many cheat.

ANN COOPER
Tuxedo, N.Y.

Economic Tribulation

Re "Reagan's Economic Record—Triumphs and Tribulations" [Pictogram, August 27]: Someone evidently tried hard to find and graph 11 items of success. But why wasn't the record made complete by citing and graphing the truly important items—budget deficits, national debt—or the several smaller items such as the bank failures, as reported on the next page of the same issue? Who edited this report, the Republican National Committee? (I voted for Reagan, regretfully.)

F. A. RYMER
Athens, Tenn.

Air of Optimism

It's more than just the good times that makes most Americans feel better this fall ["On the Move!" September 10]. True, we're on a prosperity kick, and pocketbook satisfaction is an important factor any election year. But what really makes 1984 a banner year is that flag-waving patriotism is back in style. The mood is one of inordinate pride in country such as most Americans haven't experienced in a very long time.

JACK POPE
San Francisco

Inconsistency?

It should not surprise that a Polish Pope remembers Lenin's dismissal of religion as opium for the masses, followed up by the conversion of Russian churches to vodka distilleries. There is no inconsistency in his stand against both naïve priests' supporting Marxist "liberation" theology and human-rights violations in Poland ["Why Pope Takes Careful Aim at Political Priests," September 3].

F. F. W. KROHN
Rancho Santa Fe, Calif.

Shame on you for equating what the Pope is doing to resist oppression in Poland and what liberation theologists are doing in the name of social justice in Latin America. Unless you explain that the Latin group would unite the church and the poor by pitting class against class (using Marxist theory to do so), you only add to the confusion. Christians can believe that government should effect social justice for all people of whatever class. Why not say so?

FRANCES BRIGHAM JOHNSON
Alexandria, Va.

Grain Purchases

The article "A Shoo-In?" [September 3] noted that "during the [Republican] convention, Moscow announced it will buy an additional 100 *million* metric tons of U.S. wheat." Is that a dream or a mistake?

ARNOLDS LACIS
Indianapolis

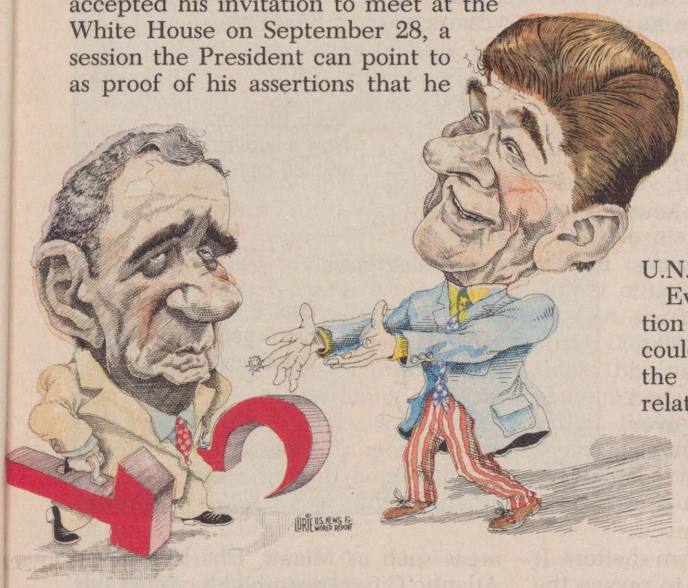
■ The figure should have been 100,000 metric tons.

Letters for publication should be sent to Letters Editor, U.S.News & World Report, 2400 N Street, N.W., Washington, D.C. 20037, and must include a daytime phone number. All letters subject to editing.

For Reagan, Helping Hand From Moscow

Two mid-September developments turned U.S.-Soviet relations from an election-year embarrassment into a feather in President Reagan's cap, while blunting one of Walter Mondale's key issues.

First, Reagan announced that Soviet Foreign Minister Andrei Gromyko had accepted his invitation to meet at the White House on September 28, a session the President can point to as proof of his assertions that he wants to establish better relations with the Kremlin.



Next, Reagan said he would let the Soviets buy 10 million more metric tons of U.S. grain, a move certain to shore up his standing in the economically ailing farm belt.

The Gromyko announcement dealt the Mondale camp a hard blow. The Democratic presidential nominee said he hoped the talks would lead to an easing of superpower tensions but it was "pathetic" that it took Reagan so long to sit down with a Soviet leader.

It will be the Chief Executive's first meeting with a top Kremlin figure. He said he would use it to try to persuade Gromyko, main architect of Soviet foreign policy, that the U.S. "means no harm" to Moscow.

Most analysts, however, saw little diplomatic significance in the meeting. For instance, the Soviet media did not immediately announce it. Also, Gromyko is coming to the U.S. for the meeting of the U.N. General Assembly. Until 1979, it was *pro forma* for the Soviet Foreign Minister when attending the U.N. to call on the President.

Even Reagan's aides caution that, at best, the meeting could do no more than lessen the deep chill in U.S.-Soviet relations enough to clear the way for future talks. They speculated that Gromyko accepted the invitation largely because Kremlin leaders now believe Reagan will be re-elected.

Still, presidential aides were exultant. If the meeting with Gromyko goes well, they reasoned, Reagan will be seen as a statesman working for peace 5½ weeks before Election Day. If it fails, the President can blame the Soviets and say he at least tried. Concluded one senior White House adviser: "We can't lose." □

States Get Back in the Black

A new survey confirmed that the nation's economic recovery is helping fill state coffers again.

The National Conference of State Legislatures found that when most state fiscal years ended on June 30, 18 states—twice as many as a year ago—had surpluses of at least 5 percent, considered the prudent minimum. Only New Hampshire and Vermont faced deficits. Eight states ended up in the red when fiscal 1983 closed.

Some states made impressive turnarounds. California changed a deficit of 521 million dollars in 1983 to a surplus of 547 million in 1984, the nation's largest. Wisconsin has a positive balance of 275 million, compared with last year's shortfall of 182.1 million. Pennsylvania went from 235 million in the red to 76 million in the black.

Taken together, the 50 states have surpluses totaling 5.3 billion dollars, up from 2 billion in 1983.

Besides the healthier economy, tax hikes and spending restraints contributed to the rosier picture. Thirteen states raised taxes, with the largest hikes in Texas, Louisiana, Oklahoma and Tennessee. But in 15 states, government finances were so well off that legislatures cut taxes.

Not all states did better in 1984. A Texas surplus of 1 billion dollars in 1983 has dwindled to 106 million.

Most states with surpluses don't expect them to grow much in 1985 because the economy won't expand as fast and legislatures are likely to spend more freely. □

Olympic-Size Bonus for Amateur Sports

LOS ANGELES

The free-enterprise Los Angeles Olympics promise to pay dividends to young athletes for years to come.

The 150-million-dollar surplus reported September 11 by the Los Angeles Olympic Organizing Committee (LAOOC) was 10 times larger than expected and marked the first time the summer games had turned a profit since 1932, when Los Angeles was also the host.

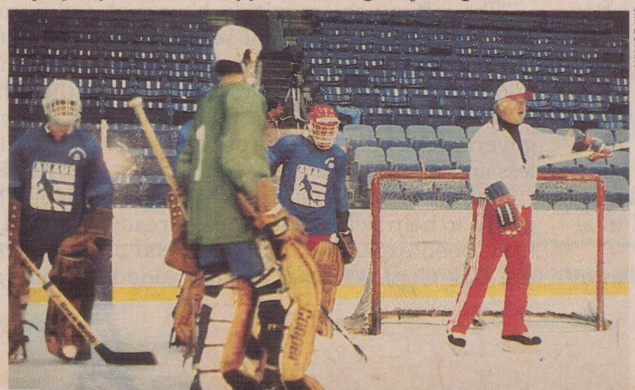
This year's big surplus was proof that the Soviet-led boycott had not hurt the Olympics, at least financially. Ticket sales totaling 151 million dollars exceeded early estimates by 68 percent. The TV ratings were so good that the LAOOC got 225 million dollars from the American Broadcasting Company.

The LAOOC will keep 25 million dollars to pay unexpected bills, giving what's left to amateur sports in the Third World. The other 125 million from the surplus will benefit U.S. athletes:

- 25 million dollars goes to the 38 governing bodies of various Olympic sports in the United States.
- 50 million to the new Southern California Amateur Athletic Foundation, which will fund local youth programs.
- 50 million dollars plus a 26-million-dollar share of sales of Olympic coins to a new national foundation that will support future U.S. teams.

Said LAOOC President Peter Ueberroth, "Youngsters being born now will feel the benefit of the games through sports programs for years to come." □

Olympic profits will support training of young athletes.



JIM BOTKIN

The Big Storm That Baffled the Experts

Hurricane Diana's erratic wandering off the Atlantic coast served as a reminder that the most dangerous feature of powerful sea-born storms is their unpredictability.

The hurricane's toll on September 14 was one dead and 25 million dollars in property damage. Relief that the losses were not greater contrasted sharply with the anxiety of forecasters for six days as they tracked the storm, unable to predict what it would do.

Part of the reason for this was the still-incomplete knowledge scientists have of hurricanes. They originate in hot, humid air rising far out in the Atlantic. These air masses gradually reach the Caribbean where their collision with warmer air, combined with the spinning of the earth, can turn them into swirling tropical storms and then into hurricanes.

Other weather systems can influence a hurricane's movements, and many storms have "steering currents" that help guide them.

The lack of such currents made Diana "a hurricane with no sense of direction," said Neil Frank, director of the National Hurricane Center in Miami. Diana moved leisurely up the coastline, gathering strength, sometimes seemingly stalled and once looping back across its own path.

When its 135-mile-an-hour winds finally smashed into North Carolina near Wilmington on September 13, Diana sounded, in the words of one police officer, "like 100,000 lions roaring." The winds and pounding surf demolished beach houses, pushed over trees and a water tower, flooded streets, knocked out power for at least 45,000 people and trapped as many as 5,000 without food in storm shelters. It was the worst hurricane to ravage the Carolina coast since Hazel in 1954.

The storm's erratic progress threw evacuation plans into confusion for coastal residents. Thousands fled their homes and vacation cottages, returned when they thought it was safe, only to be told to evacuate again as the hurricane lurched once more toward land.

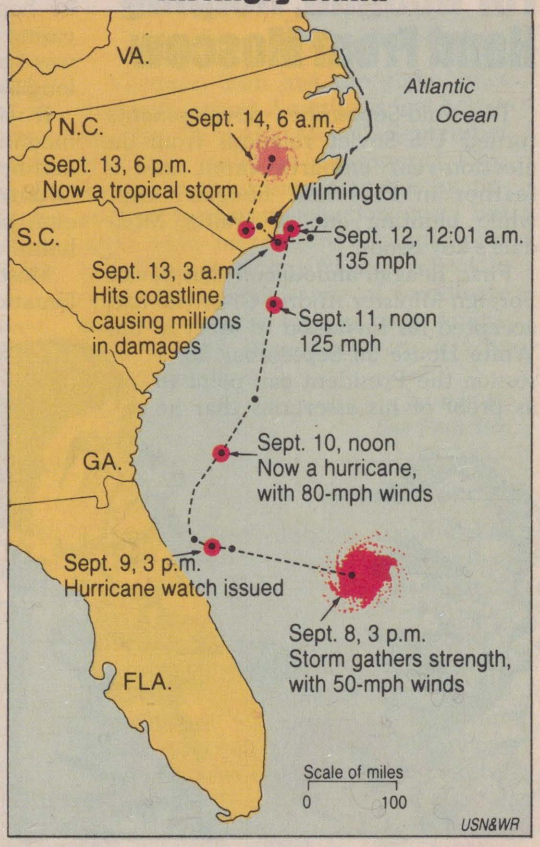
With forecasting not expected to get much better, officials say that urban areas such as Miami, Charleston and Atlantic City remain highly vulnerable to hurricanes. Many officials also are convinced that overcrowded beachfronts and inadequate evacuation routes will eventually result in a catastrophe.

"People always talk about a 'cry wolf' pattern with our forecasts," says Jim Campbell, an emergency-warning meteorologist with the National Weather Service. "But the point is, with hurricanes the wolf is always out there." □

BILL CRANFORD—UPI

Devastated cottage at Topsail Beach, N.C.

An Angry Diana



When a Mental Health Idea Boomerangs

The nation's psychiatrists called in mid-September for new steps to care for mentally sick homeless people, while proclaiming the failure of a 30-year policy of releasing mental patients from hospitals as quickly as possible.

An American Psychiatric Association task force reported that as many as 1.5 million persons needing mental treatment are living in the streets.

"Hardly a section of the country," said the panel, "has escaped the ubiquitous presence of ragged, ill and hallucinating human beings, wandering through our city streets, huddled in alleyways or sleeping over vents."

Largely responsible is the shift away from confining the mentally ill for long stretches—a shift that caused the population of state hospitals to fall from about 550,000 in 1955 to 130,000 today.

The mass release was supposed to lead to community-based care, but it did not.

"Too often, communities have not provided the full range of services required by the chronically mentally ill," said President John Talbott of the psychiatric group. The panel urged more government help to care for the homeless and upgrade mental-health clinics.

Funds will not come easily. Many programs to help sick street people already have been expanded, but an official of the U.S. Conference of Mayors added, "The problem has grown so dramatically that cities and states can't do it all." At the U.S. Department of Health and Human Services, where spending for local mental-health units has dropped 15 percent in three years, Secretary Margaret Heckler has set up her own task force to study the problem.

One costly and controversial proposal from the psychiatrists: Make it easier for authorities to force homeless persons into hospitals when they are so ill that their lives become "chaotic, unsafe and unbearable."

Critics assailed the idea. Said Norman Rosenberg of the Washington-based Mental Health Law Project: "We should not put more people in large, understaffed hospitals where they won't get adequate treatment." □

OWEN BIEBER

United Auto Workers' Man in the Middle

His size alone would have made him welcome in the sit-down strikes and bloody plant-gate battles that unionized the auto industry in the 1930s.

At 6 feet 5 inches and 250 pounds, United Auto Workers President Owen Bieber is a commanding presence, whether walking a picket line or dickering over new contracts for the 1.1 million members of one of the country's most powerful and influential unions.

Yet Bieber is too young to have belonged to the union's founding generation of Walter Reuther, Leonard Woodcock and Douglas Fraser. At 54, in fact, he is the first UAW head without experience in the hard-fought organizing campaigns before World War II.

None of that stopped him from taking a tough line in mid-September contract talks with General Motors, demanding job-security guarantees and another round of pay boosts for nearly 350,000 auto workers. During three years of recession, the union gave up billions of dollars in concessions.

Bieber's toughness was once in question. But when he was nominated to head the UAW last year, supporters insisted his background made him fully aware of the union's early struggles and its goals.

Son of a UAW member, Bieber graduated from high school, went to work as a wire bender in the same Grand Rapids, Mich., plant that employed his father, becoming president of his local, a regional UAW director and then an international vice president in 1980. He won the top job in a 15-11 vote after the union's executive board first deadlocked on a choice.

Fraser shadow. Union insiders say that the lack of unanimity reflected doubts about Bieber's leadership abilities, which persisted even after he succeeded Fraser, whose talents as a savvy negotiator and union politician were widely respected by union and management officials alike.

Last year, in his first major test after assuming the presidency, Bieber walked out of contract bargaining with Chrysler to show his unhappiness with its position. Critics later claimed Bieber's action was unwarranted, that he had misread the company's strategy and that staying put would eventually have led to a better offer.

Bieber's subsequent action in authorizing a strike at Chrysler did nothing to calm the storm. Only two months after reaching agreement with the company on a contract, workers at Chrysler's Twinsburg, Ohio, stamping plant walked off the job in a dispute over working conditions—a move that halted production at five assembly plants, idled more than 21,000 workers and cost the auto maker 90 million dollars.

Double play. More recently, critics in and outside of the union accused Bieber of wasting valuable time when he first chose both GM and Ford as strike targets for the current negotiations, then narrowed the field to GM alone just a week before contract expiration. Bieber's defenders insisted his moves paid dividends for auto workers and were part of a careful strategy.

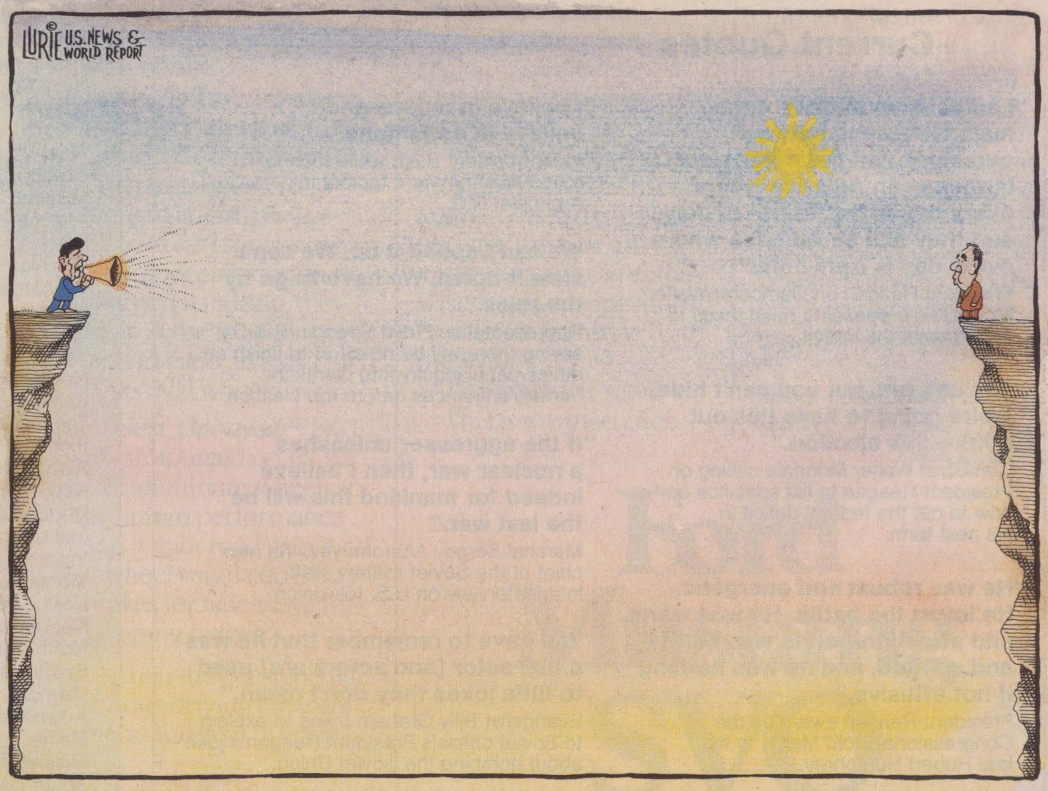
He also won praise for making job security the union's top priority. With 170,000 auto-industry jobs having disappeared since 1978 and the UAW's ranks thinned, Bieber puts a premium on the protection of jobs from automation and foreign competition. GM wants to cut costs by purchasing more low-cost parts from overseas and using more robots in car assembly.

However the contract struggle turned out, Bieber faced challenges every bit as formidable in their own way as those that beset earlier UAW leaders. □

JUNEBUG CLARK

Bieber chairs UAW meeting.

LURIE'S WORLD



"I said, Mr. Gromyko: 'We meet at last.' "

"Head Start" Gets A High Grade

Giving quality preschool education to disadvantaged children boosts their academic performance, reduces crime and saves taxpayers thousands of dollars.

High/Scope Educational Research Foundation in Ypsilanti, Mich., announced that conclusion on September 14 after completing a 22-year study that tracked the lives of 123 low-income black children who at ages 3 and 4 seemed likely to fail in school.

The findings amounted to a glowing endorsement of "Head Start," one of the "safety net" programs for the poor that the Reagan administration exempted from budget cuts, raising its funding to 996 million dollars from 735 million in 1980. The program is serving more than 432,000 disadvantaged youngsters this year.

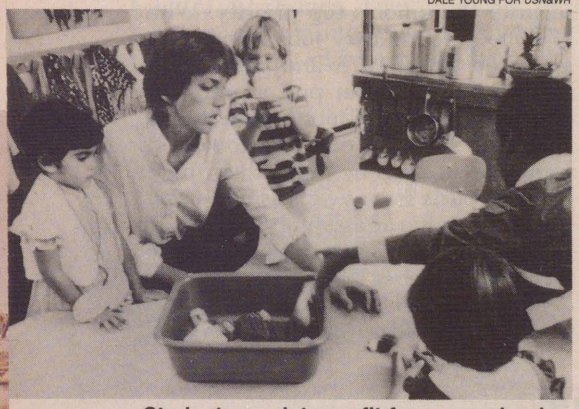
In the study, 58 children were given 2½ hours of a high-quality educational program five mornings a week for one or two years. The other 65 received no preschool program.

Interviews with the youths when they turned 19 and data from school, state and police records found:

- Two thirds of the preschool group went on to graduate from high school, compared with half of the others.
- Nearly twice as many of the preschool students—38 percent to 21 percent—enrolled in higher education.
- Fifty-one percent of those with no preschool training had been arrested or charged with a crime, while 31 percent of the preschoolers had.
- Only 18 percent of the preschool group were receiving welfare payments, compared with 32 percent of the others.

"The findings of this careful study present clear evidence to us that quality early-childhood education programs can help poor children overcome later problems," declared Dorcas Hardy, an assistant secretary with the Department of Health and Human Services, which administers Head Start. □

DALE YOUNG FOR *USN&WR*



Students, society profit from preschool.

Current Quotes

"I sometimes think that the main difference between ourselves and the other side is we see an America where every day is the Fourth of July, and they see an America where every day is April 15th."
President Reagan on Democrat Walter Mondale's proposal to raise taxes to help reduce the deficit.

"You can run, but you can't hide. We're going to have this out before this election."
Democrat Walter Mondale calling on President Reagan to list specifics on how to cut the federal deficit in his next term.

"He was robust and energetic. He loved the battle. He was warm and affectionate. He was hearty and spirited, and he was nothing if not effusive."
President Reagan awarding the Congressional Gold Medal to the late Hubert Humphrey.

"I believe in unions and I believe in nonunions."
Vice President Bush while touring a nonunion furniture factory in Archdale, N.C.

"We can't speed it up. We can't slow it down. We have to go by the rules."
Representative Floyd Spence (R-S.C.) saying there will be no effort to finish an ethics-panel inquiry into Geraldine Ferraro's finances before the election.

"If the aggressor unleashes a nuclear war, then I believe indeed for mankind this will be the last war."
Marshal Sergey Akhromeyev, the new chief of the Soviet military staff, in an interview on U.S. television.

"You have to remember that he was a film actor [and actors are] used to little jokes they don't mean."
Evangelist Billy Graham trying to explain to Soviet officials President Reagan's joke about bombing the Soviet Union.

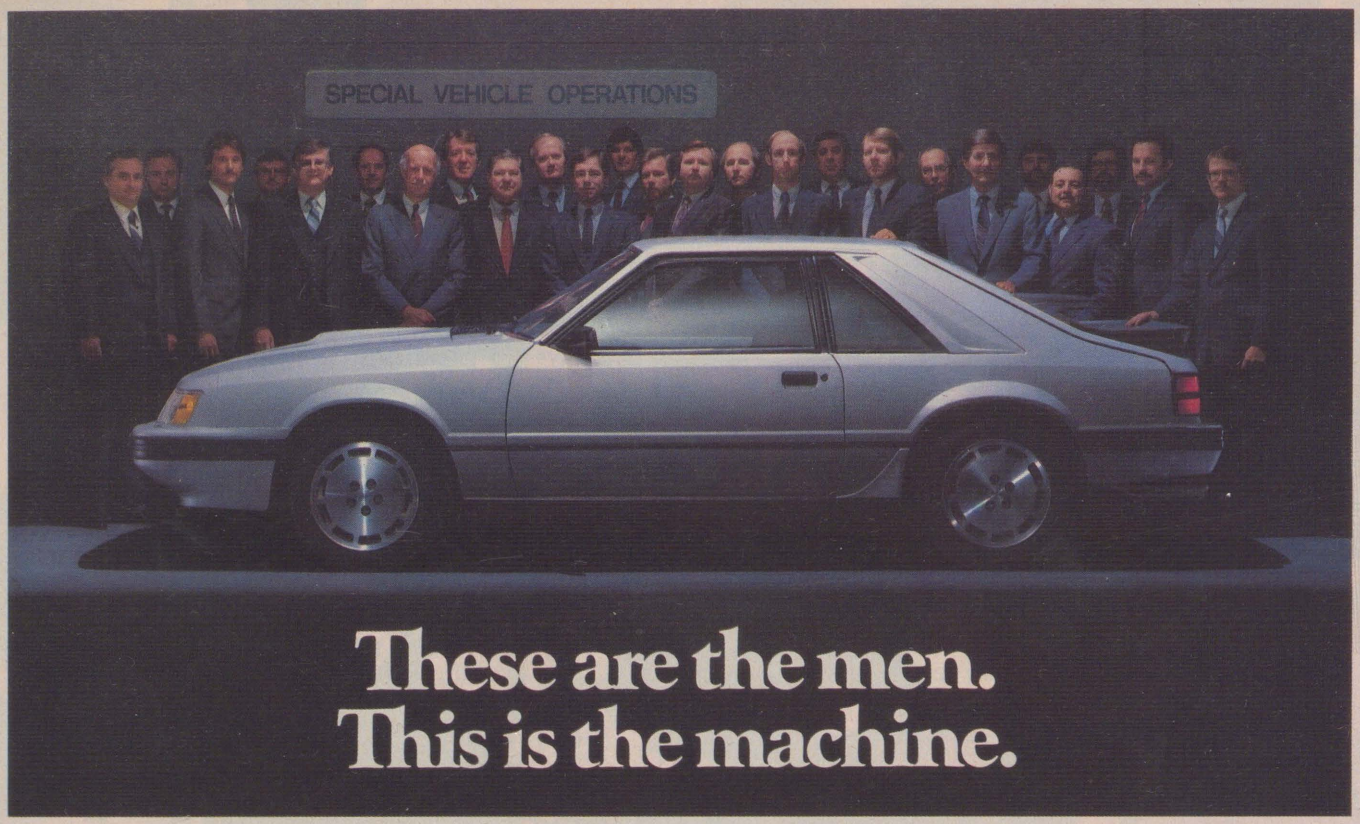
Average Pay State by State

From the government comes fresh proof that lower inflation is making pay raises go further.

The average annual pay of the 89 million workers covered by unemployment insurance climbed 4.8 percent to $17,544 in 1983 while consumer prices increased only 3.2 percent, reports the Bureau of Labor Statistics.

In 1982, annual pay jumped 6.6 percent, but that was only slightly above the inflation rate of 6.1 percent. Average pay by state—

	1983	Change From '82
Alaska	$28,720	+2.9%
District of Columbia	$23,842	+5.8%
Michigan	$19,712	+4.8%
New York	$19,694	+6.3%
California	$19,038	+5.9%
New Jersey	$18,823	+5.3%
Connecticut	$18,770	+6.4%
Illinois	$18,708	+4.1%
Delaware	$18,164	+3.5%
Texas	$18,133	+4.2%
Colorado	$18,102	+4.1%
Washington	$18,037	+1.6%
Ohio	$17,920	+4.5%
Wyoming	$17,840	−0.8%
U.S.	**$17,544**	**+4.8%**
Massachusetts	$17,347	+6.2%
Louisiana	$17,342	+1.6%
Minnesota	$17,212	+5.1%
Pennsylvania	$17,161	+4.3%
Oklahoma	$17,154	+2.3%
Nevada	$17,118	+3.9%
Maryland	$17,086	+5.2%
Indiana	$17,068	+4.1%
West Virginia	$16,862	+1.0%
Oregon	$16,786	+3.7%
Missouri	$16,785	+5.1%
Arizona	$16,667	+4.1%
Utah	$16,511	+3.8%
Virginia	$16,491	+5.6%
Wisconsin	$16,376	+4.5%
Hawaii	$16,107	+4.9%
Georgia	$16,054	+6.0%
Kentucky	$16,020	+3.4%
New Mexico	$15,922	+3.5%
Kansas	$15,915	+4.2%
Tennessee	$15,546	+5.3%
Florida	$15,543	+5.1%
Alabama	$15,542	+5.1%
New Hampshire	$15,541	+6.3%
Rhode Island	$15,397	+5.9%
Idaho	$15,241	+4.0%
Iowa	$15,214	+3.0%
Montana	$15,212	+3.5%
North Dakota	$15,048	+2.9%
Nebraska	$14,762	+5.0%
North Carolina	$14,676	+6.1%
South Carolina	$14,647	+6.2%
Vermont	$14,643	+6.1%
Arkansas	$14,327	+5.1%
Maine	$14,130	+4.9%
Mississippi	$13,948	+3.9%
South Dakota	$13,188	+3.8%



The men.

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The machine.

To increase the power of the 2.3 liter, 4-cylinder EFI engine, the SVO engineers turbocharged it and added an air-to-air intercooler. For flexibility, they gave it the brain of an electronic turbo boost control. Its job: to regulate boost, ignition timing and air charge. It is the most sophisticated turbo control ever put on an automobile.

Then came a 5-speed gearbox with *Hurst*® linkage for short throws, a crisp feel. Below, they worked adjustable gas-filled *Koni*® shocks onto a 6-damper suspension. To sharpen handling, they revised the front suspension to yield an extra inch of vertical wheel travel.

Next, *Goodyear*® NCT tires. Mounted on 16″x7″ cast aluminum wheels for premium performance and a tight road grip. And 4-wheel ventilated disc brakes for fade-resistant stopping power.

Then they designed a serious driving environment. To allow heel-and-toe downshifting, they repositioned the brake and throttle. For comfort and control, they developed unique articulated driving seats with adjustable lumbar and thigh supports. Complete analog instrumentation supplies immediate information.

When they were done, they had created what *Road & Track* has called perhaps the best all-around car for the enthusiast driver ever produced by the U.S. industry: the SVO.

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MONDALE URGED TO ATTACK

With his campaign fortunes so low, Mondale has nowhere to go but up.

The Democratic presidential candidate will have to take some chances to get back into the race. That is what his supporters are telling him.

Party strategists want him to take off his gloves and attack Reagan personally. Even the President's age--73. That's a risky tactic that can backfire. But Mondale's advisers feel he has nothing to lose.

Advertisements describing Reagan as a dangerous political ideologue are being prepared for possible use in late September or early October.
Democrats put high hopes on the television debates between the presidential candidates. Might give Mondale a chance to show some leadership qualities--and hope that Reagan misfires.

On the hustings, Mondale will lean increasingly on Democratic governors, senators, other surrogates who are popular in their home states. Aides think they may be more convincing than Mondale himself.

NEW VOTERS ARE VITAL

Efforts to register new voters will take on a new sense of urgency. Democrats cannot win unless more than 100 million Americans go to the polls November 6. The popular vote in 1980 was 86.5 million.

Democrats feel they must break Reagan's stranglehold on the South and West. That means more campaigning in Texas and California, where Hispanic and black voters could hold the key to victory.

Behind the frantic change in tactics: Polls showing Reagan headed for a landslide victory, leading Mondale in every part of the country.
Signs on the campaign trail also are ominous for Mondale: Sparse crowds, errors by advance people, few signs of enthusiasm.

Hopes that vice-presidential candidate Geraldine Ferraro would boost the ticket are fading. Polls show that she is more popular than Mondale--but does little to enhance the Democratic cause.

BIG HOPE: A REAGAN MISCUE

Will Mondale's get-tough tactics work? Odds are against it.
But Reagan can still lose the election if he makes a serious blunder, stumbles or is a victim of a serious international crisis.

Meanwhile, Reagan has his sights on a decisive win, is working to draw traditional Democrats and independents who voted Republican in 1980. He will spend more time campaigning in the Northeast--considered Mondale country--looking for ethnic and blue-collar votes. Also on the

(over)

President's side: The economic outlook on Election Day. It's gloomy for Mondale. When voters troop to the polls on November 6--

ECONOMY TO FAVOR PRESIDENT

A record number of Americans will be working--106 million in civilian jobs. Recovery has created 7 million new jobs in the past two years.

Spendable income--after taxes and adjustment for inflation--will be at a record average of $11,100 annually, a 10 percent rise since 1982.

True, some 8 million people still will be looking for work--and rate of economic growth will be slowing. But at an easy, healthy pace--just what is needed to insure continued growth without igniting inflation.

Price hikes will be running at recent levels, with inflation about 4 percent above year ago. Wages, energy prices will be relatively steady.

Latest statistics show the trend. Retail sales in August dropped 0.8 percent, following a whopping 2 percent decline in July.

Wholesale prices dropped 0.1 percent in August, more evidence that inflation remains under control. For the year, producer prices are rising at a moderate 2.4 percent annual rate.

Wholesale-price fluctuations eventually show up at the retail level.

Even so, the economy still is growing at a healthy 4 to 5 percent pace.

GAS-PRICE CONTROLS TO END?

Time is running out for Congress to protect consumers from higher heating bills this winter. Price controls on about half of all natural gas will expire Jan. 1, 1985--at the height of the heating season.

Frost-belt lawmakers will try to extend controls before Congress adjourns October 4. But gas pricing is one of most divisive issues in Congress. A consensus seems impossible, even among party members.

Result will be that opponents of price controls will win by stalling.

Jitters over the nation's banking system will subside in coming months.

Reason: Problems with Third World debts are easing as debtor nations such as Mexico renegotiate loans, adopt austerity measures.

At home, banks are tightening up on lending practices, cutting costs in other banking operations. Regulators also will get tougher after being called on the carpet over the Continental Illinois Bank failure.

The November election will gauge popular sentiment on a controversial social and moral issue--gambling. Voters in six states will decide whether to permit state-run lotteries, horse-race betting, casinos.

Voters are expected to approve lotteries in California, Oregon and Missouri, where parimutuel horse racing also is on the ballot.

A lottery proposition in West Virginia and casino referendums in Arkansas and Colorado face tough opposition, probably will lose.

AWARDS TO VICTIMS ON RISE

A new worry for business: Crime victims are winning big damage awards against operators of public facilities where violence occurs.

Settlements averaged about 1 million dollars in 1982. States with most suits filed: Florida, New York, New Jersey, the District of Columbia.

Bulk of the suits are against retailers, landlords and hotels for providing inadequate security in parking lots and apartments.

Ominous Signs for Russia's Chernenko . . . Wick Out, Kirkpatrick In? . . . End at Hand for MX Missile . . .

From top specialists in Soviet affairs: Kremlin boss Chernenko's political health is failing fast. Latest signs include lack of fanfare on his return to Moscow from vacation, secondary status in medal ceremonies for cosmonauts and failure of the Soviet media to depict him as busy making decisions. The conclusion is that the Kremlin is getting ready for another change of leadership.

☆ ☆ ☆

Administration officials are figuring the odds on which cabinet members will be first to resign in a second Reagan term. Leading favorites: Treasury Secretary Donald Regan and Budget Director David Stockman.

☆ ☆ ☆

Another unorthodox move by Mondale? The Democratic candidate—who broke the rules by picking his running mate before the convention and spelling out a proposed tax increase—now is being urged by backers to name his entire cabinet before Election Day.

☆ ☆ ☆

White House officials, still grinning over putting Democrats on the spot by honoring the late Senator Hubert Humphrey, will repeat the coup. This time, Nancy Reagan will preside at an October ceremony observing the 100th anniversary of Eleanor Roosevelt's birth. All five living former First Ladies—including Democrats Jacqueline Kennedy Onassis, Lady Bird Johnson and Rosalynn Carter—are invited.

☆ ☆ ☆

If Reagan is re-elected, the White House plans this overture to the Kremlin: A proposal for comprehensive negotiations on arms control embracing antisatellite and space-war weapons as well as strategic missiles and Euromissiles. It's seen as the best way to draw Soviets into serious talks early next year.

☆ ☆ ☆

Latest word—at least on Capitol Hill—on the future of United Nations Ambassador Jeane Kirkpatrick: The White House has offered her command of the U.S. Information Agency. She would succeed Charles Wick, who tells friends he'll be leaving after four years in the job.

☆ ☆ ☆

Opposition to spending billions on the MX missile is growing so rapidly in Congress that not only will the project get no money in this session but it is being conceded by everyone except a few diehards that the massive program is dead.

☆ ☆ ☆

Indiana's Richard Lugar is moving to ease fears that he'd use his selection as Senate Republican leader as a springboard to run for President in 1988. If he's chosen to succeed the retiring Howard Baker of Tennessee, Lugar tells associates, he'll take his name out of the running for the White House.

☆ ☆ ☆

A third "secret" meeting between U.S. and Cuban representatives before September's end could lead to the return of some Cubans from the 1980 Mariel boatlift. Cuban officials report that Washington, which originally asked Havana to take back 2,600 refugees with criminal records, has dropped its request to 500.

☆ ☆ ☆

Because the budget-deficit crisis won't end with the election, worried politicians already are talking of a truce meeting between the President and Capitol Hill leaders late this year to devise a nonpartisan approach for Congress when it reassembles in January.

Pentagon sources say the problem of improperly inspected electronic parts in military equipment is so serious that some companies face criminal indictments by federal grand juries for falsifying records.

☆ ☆ ☆

Forget that talk of Congress ramming through a constitutional amendment requiring a balanced budget before it quits for the year. Republican leaders admit privately that they don't even have enough votes to get the issue to the House floor, let alone the two-thirds majority needed for passage.

☆ ☆ ☆

Reagan is looking beyond Election Day to some trips abroad in 1985. Most likely destinations, in addition to the economic summit in West Germany: Canada and Australia.

☆ ☆ ☆

William French Smith is biting the bullet and agreeing to stay on as Attorney General until early 1985. The President's old friend is itching to get back to California but will remain now that Senate hearings for his chosen successor, Edwin Meese, have been delayed.

☆ ☆ ☆

States soon will be able to tap federal computers to check on the status of suspected illegal aliens. A pilot program providing limited access to officials in Colorado, California and Illinois worked out so well that the program will be expanded nationwide.

☆ ☆ ☆

Republican candidates for Congress are getting this simple advice from GOP campaign consultants: Keep coupling the names of foes with those of Walter Mondale and House Speaker "Tip" O'Neill as often as possible.

☆ ☆ ☆

Peace and quiet in the classroom do not come cheaply. The Federal Aviation Administration is spending some 5 million dollars this year to soundproof schools from the roar of plane engines near major airports. The public pays the cost in taxes levied on airline tickets.

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tively with each other, and also with products made by other manufacturers, like those of DEC and Xerox already being used at Pitt. It also guarantees a system flexible enough to keep up with changing needs and changing technologies. In this way, the University of Pittsburgh will always be a campus of the future, no matter what the future may hold.

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U.S.NEWS
& WORLD REPORT

Mondale's Big Gamble

Will the nominee's plan for raising taxes to whittle the deficit swing sentiment his way? It's an issue with wide potential impact on the election and on taxpayers.

Way behind in the polls, Walter Mondale is betting his presidential campaign on the belief that Americans can learn to appreciate higher taxes.

If he succeeds, he expects voters to take out their resentment on President Reagan for failing to come up with a specific plan to shrink the federal budget deficit.

But if Mondale has guessed wrong, he could lose support from Democrats who want no part of higher levies and could send more voters to Reagan.

That is what is at stake in the deficit-cutting blueprint Mondale unveiled in Philadelphia on September 10. It would raise taxes for nearly half of all individuals and many businesses starting next year and limit growth of government spending. The goal: Shrink estimated federal red ink by about two thirds—177 billion dollars a year—by 1989.

Beyond taxes and deficits, the outline indicated policies Mondale says he intends to follow on defense, health care, education and other fields. It also paints him in somewhat less liberal shades on economic and other policies than has been his image. Thus, the former Vice President went far toward setting the terms for debate with Reagan.

The plan already is having campaign impact—

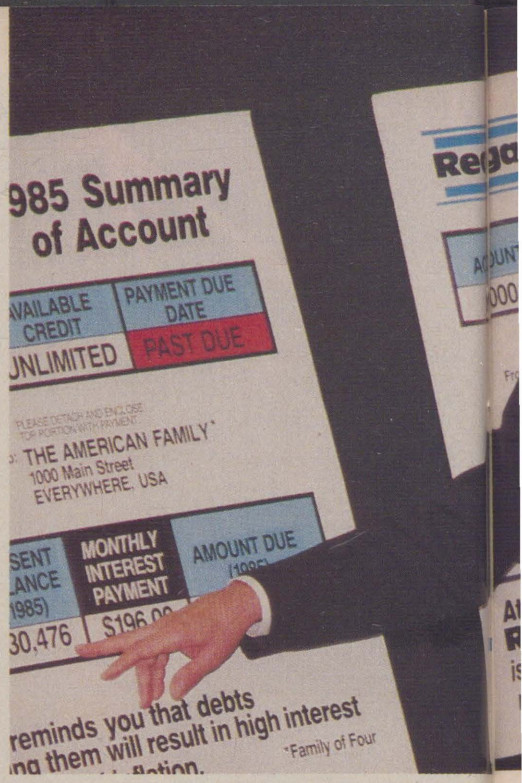
- The deficits and economic policy instantly became a key topic of the campaign. Reagan began what is planned to be a full-scale and continuing GOP attack on the idea. On a campaign swing to Buffalo, Reagan called Mondale's plan "a fairy tale" that "would hurt working Americans by raising their taxes and stifling economic growth."

There's more to come. Predicted a Reagan adviser: "We're going to hammer Mondale" on the tax-increase point. "Anybody can reduce the deficit if they are willing to do it on the backs of the American taxpayer."

- The President, nevertheless, came under additional pressure to disclose what, if anything, he plans to do to close the deficits. "No candidate should face the voters without committing to a specific plan for reducing spending and deficits," said the Bipartisan Budget Coalition, a group of 32 business, farm and professional associations.
- Lawmakers up for election this year handled the Mondale proposals with kid gloves. In Congress, reported the magazine's Capitol Hill staff, "the plan is being derided openly by Republicans, ignored by many Democrats seeking re-election and treated with much caution by other Democrats."

Although Mondale did not list all details, the plan's main points were clear:

Taxes. Increases are aimed mainly at the better-off but also would hit people in less affluent groups.



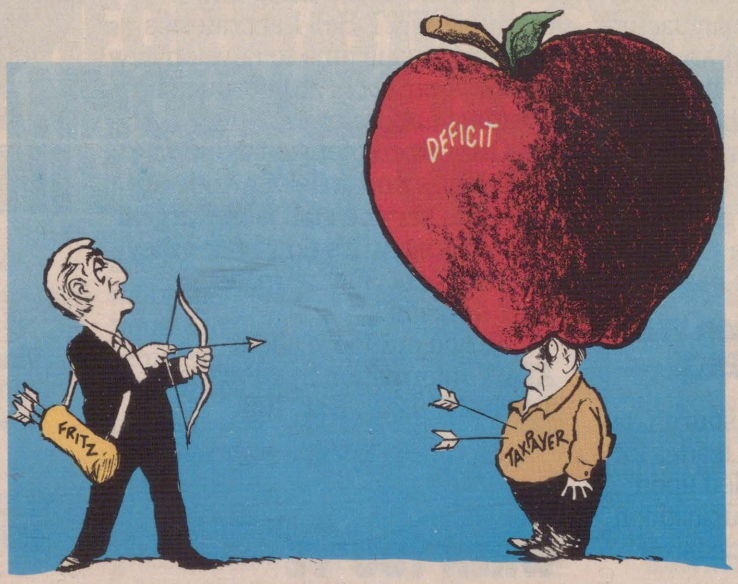
Three major changes would hit individuals immediately and, by 1989, raise 46 billion dollars a year, according to Mondale estimates. First, some 4.5 million higher-income taxpayers would pay a 10 percent surtax on the amount of tax they pay on income—before exemptions and deductions—of over $100,000 a year if married and $70,000 if single.

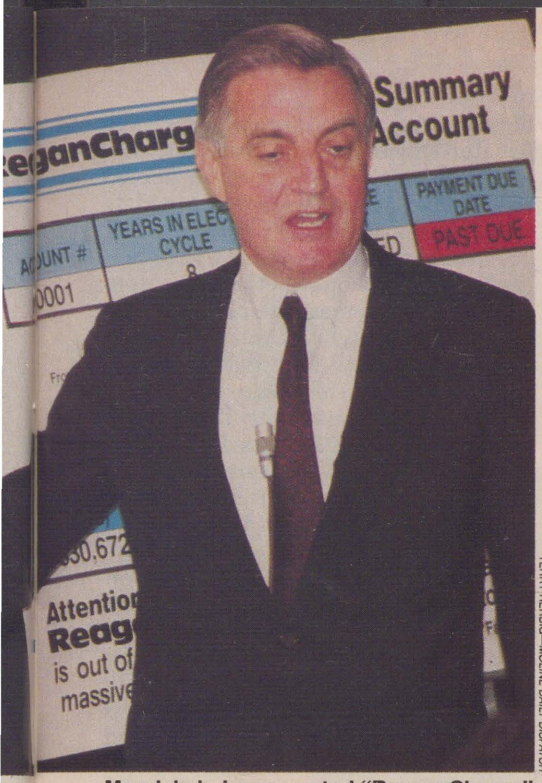
For singles with income of more than $45,000 and couples getting $60,000 plus, some of the Reagan tax cut of 1981 would be taken away. Taxpayers above the cutoffs would get only part of the 10 percent cut that took effect July 1, 1983.

The third hike for individuals would curb tax indexing, which is scheduled to begin next January. Indexing is designed to adjust tax brackets and exemptions so that tax payments don't go up if one's income simply keeps pace with inflation.

Mondale said he is committed to the idea of tax indexing. But taxpayers receiving more than $25,000 if married or more than $15,000 if single would not get the full benefit. Those above the cutoffs would get indexing benefits only to the degree that inflation topped 4 percent the previous year. Filers of some 46 million returns—nearly half of the 95.3 individual returns filed last year—would be hit.

Other changes would impose a minimum tax of 15 percent on companies that didn't pay at least that much. Tighter limits





TERRY HERBIG—MOLINE DAILY DISPATCH

Mondale in Iowa created "ReaganCharge" card to dramatize cost of deficit.

on tax shelters and other tougher administrative rules would boost income. Mondale's aides talk of having the Internal Revenue Service hire enough agents to be able to audit 2.6 percent of all returns, double the current level.

In a novel twist, Mondale vowed to put the extra tax revenues generated by his hikes into a special trust fund to be used only to pay off part of the deficit. This is to assure doubters that Mondale isn't a tax-and-tax, spend-and-spend politician. This won praise, but budget analysts questioned whether it would slow a spending-minded Congress.

How Your Taxes Would Change

Federal tax payments on 1985 income under current law and if Walter Mondale's tax plan were enacted—

Adjusted Gross Income	Married Couples Present Law	Married Couples Mondale Plan	Singles Present Law	Singles Mondale Plan
$ 15,000	$ 914	$ 914	$ 1,552	$ 1,552
$ 25,000	$ 2,169	$ 2,169	$ 3,280	$ 3,348
$ 40,000	$ 4,754	$ 4,874	$ 6,681	$ 6,827
$ 60,000	$ 9,485	$ 9,706	$12,575	$13,613
$ 75,000	$13,773	$14,874	$17,523	$18,998
$100,000	$21,646	$23,230	$26,763	$29,038
$200,000	$57,501	$63,362	$65,127	$71,388

Note: Figures assume that itemized deductions equal 23 percent of income, or zero bracket amount, whichever is higher, that married couples file jointly and have one earner and two children, and that the inflation adjustment for tax indexing is 4 percent in 1985.

USN&WR—Basic data: Mondale campaign; Internal Revenue Service

Spending. When it comes to controlling government outlays, Mondale's main target is defense, where future expenditures would be cut by 25 billion dollars. Mondale said that he would be more selective in buying weapons systems than is Reagan and would strengthen conventional forces. Cancellation of such major programs as the B-1 bomber would hit major contractors, including Rockwell International and General Electric as well as smaller subcontractors.

In all, however, Mondale proposed to boost defense outlays 3 to 4 percent after adjustment for inflation, not too much different from where Reagan is expected to come out.

The Democrat indicated he wants to put broad new limits of about 10 percent a year on increases in medical fees, such as doctors' charges and hospital bills. That would apply to private fees as well as to federal and state bills, such as medicare for the elderly and medicaid for the poor, said advisers.

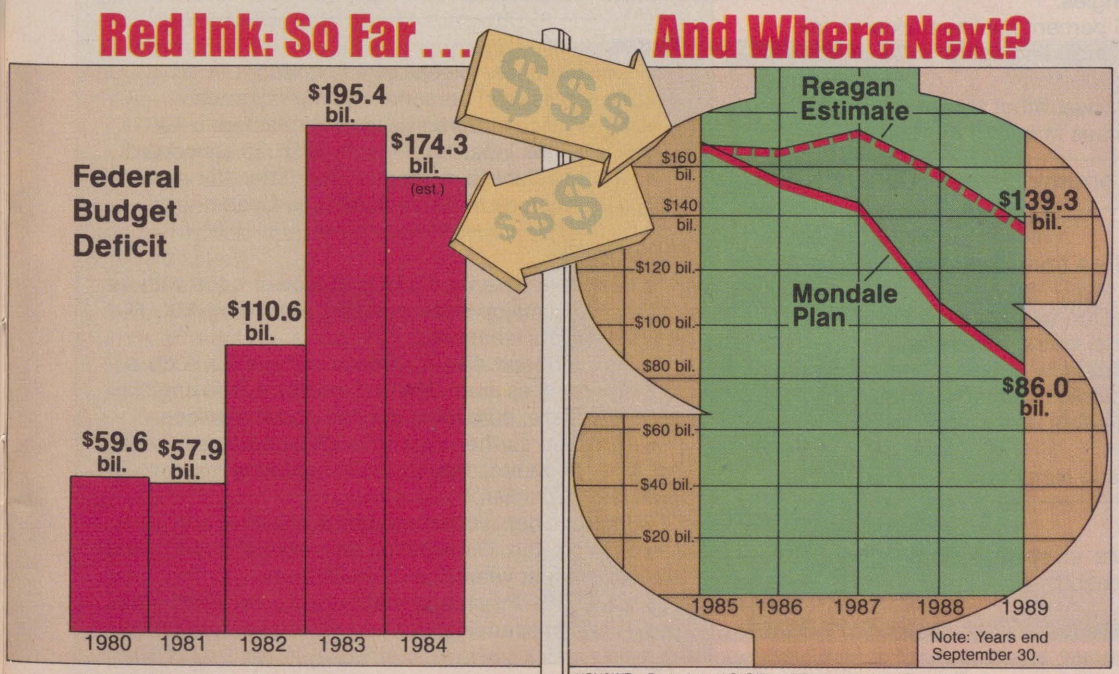
Biggest savings would come from an estimated 51 billion dollars in smaller interest payments on the federal debt. Reasons: A smaller-than-forecast growth in the public debt and lower interest rates for service on that debt.

Domestic outlays: Up. Despite the emphasis on cuts, Mondale plans to add 11 billion dollars to current projected outlays for education and 19 billion for other social programs. Why? Largely to keep allies such as organized labor and teachers happy, say analysts.

Taken together, the tax and spending plans would enable the economy to expand steadily at a rate of approximately 3.5 percent a year during the rest of the 1980s, said Mondale's economists. That's lower than the average of about 4 percent foreseen by the White House. Many economists, including Thomas Thomson of Crocker National Bank in San Francisco, consider both forecasts "a bit optimistic."

A number of economists see the plan's potential impact as one of slowing economic growth. Most of all, says Allen Sinai of Shearson Lehman/American Express, tax hikes would curb consumption. But Walter Heller, chairman of the Council of Economic Advisers under Presidents Kennedy and Johnson, argues that despite the fears of some, the plan would do little to discourage capital investment.

Behind Mondale's big



USN&WR—Basic data: U.S. Office of Management and Budget, Mondale campaign staff

gamble lie several campaign goals. One is to counter his image as a politician interested in soaking rich and middle-income Americans in order to finance big government. In recent weeks, the candidate has tried to convince business leaders in conferences that he would indeed use higher taxes only to cut red ink.

Nor does the economic plan represent a swerve to the right, the Mondale camp contends. Explains one top aide: "He has always been a pragmatist. We've had a lot of change in our country since he came to government in the 1960s. For one thing, we didn't have the booming deficits we're facing today."

But more important, Mondale aims to smoke out the President on his future economic program, hoping that Reagan will make a false step. The President, Mondale charged in Peoria, Ill., is "stonewalling the American people" by failing to outline a deficit-cutting program. He asserted that Reagan is planning deep cuts in social programs and is likely to propose a national sales tax if re-elected.

A top Mondale strategist describes the Democratic thinking this way: "Reagan has got to say something about the deficit situation. The voters are going to see the contrast of Mondale's telling the truth and Reagan's unwillingness to level with them."

A key part of Mondale's strategy is to focus his attack on the red-ink issue during the presidential debates now being negotiated. One hope, as voiced by a Mondale assistant: "Reagan will make a major mistake in the debates or appear to be on the defensive, particularly on this economic issue."

Mixed reviews. Mondale's strategy on the tax-and-deficit issue has supporters and detractors among fellow Democrats.

Governor Anthony Earl of Wisconsin, accompanying Mondale on a mid-September campaign trip in Green Bay, said the nominee "has got to continue to do unorthodox things."

In Congress, most Democratic leaders praised Mondale for his courage in spelling out the program, but some, such as Kentucky Senator Walter Huddleston think it is a mistake. Freshman Senator David Pryor of Arkansas, who is up for re-election, let it be known that he had privately advised Mondale against proposing higher taxes.

Whatever happens, there was no immediate indication whether the Mondale plan was a masterstroke or a mistake. A Washington Post-ABC News telephone survey, only part of which was taken after Mondale announced his program, showed the Democratic candidate trailing Reagan by 16 percentage points, 40 percent to 56 percent. When people were asked which candidate "would do a better job in coping with the budget deficits," the President led 52 percent to 40 percent.

Still, whether Mondale wins his gamble or not, he is likely to get some results. All signs back the expectation of economic consultant A. Gary Shilling in New York: "Regardless of who's elected, there will be serious action next year on the deficit." □

By JOHN R. GIBSON with JOHN W. MASHEK and RICHARD ALM and ROBERT J. MORSE of the Economic Unit

What Mondale Proposes

Highlights of the Democratic candidate's deficit-reduction plan, with dollar impact on federal income and spending in 1989—

Taxes — **Up $85 Billion**

- Modify tax indexing so couples making more than $25,000 a year and singles making more than $15,000 do not get full inflation adjustment.
- Limit amount of Reagan tax cut, already in effect, for couples making more than $60,000, singles earning more than $45,000.
- Tax surcharge of 10 percent on income above $100,000 for couples, $70,000 for singles.
- For corporations, a 15 percent minimum income tax.
- Tougher enforcement, including tighter rules on tax shelters, loopholes, accounting.
- Extension of certain excise, other taxes.
- Set aside added revenues in a fund for deficit reduction.

Added Revenue as Economy Grows — **Up $17 Billion**

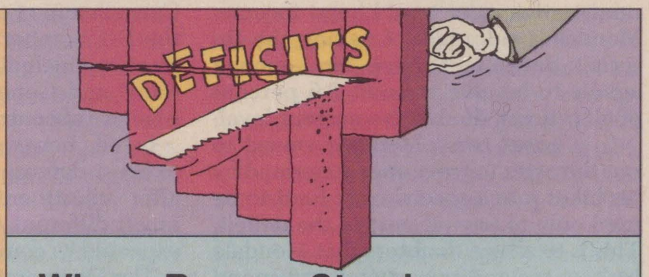
Spending Cuts — **Down $105 Billion**

- Interest—save $51 billion from lower borrowing costs as deficit shrinks.
- Defense—save $25 billion by canceling MX missile, B-1 bomber, Star Wars weapons, taking other steps.
- Health—save on medicare by capping medical costs.
- Agriculture—boost exports, raise farm prices.
- Management—collect debts faster, upgrade federal computers, among other moves.
- Slow growth of outlays in many domestic programs.

Spending Increases — **Up $30 Billion**

- Restore Reagan's cuts in several social programs, including $11 billion for education.

Net Change in 1989 Deficit — **Down $177 Billion**



Where Reagan Stands

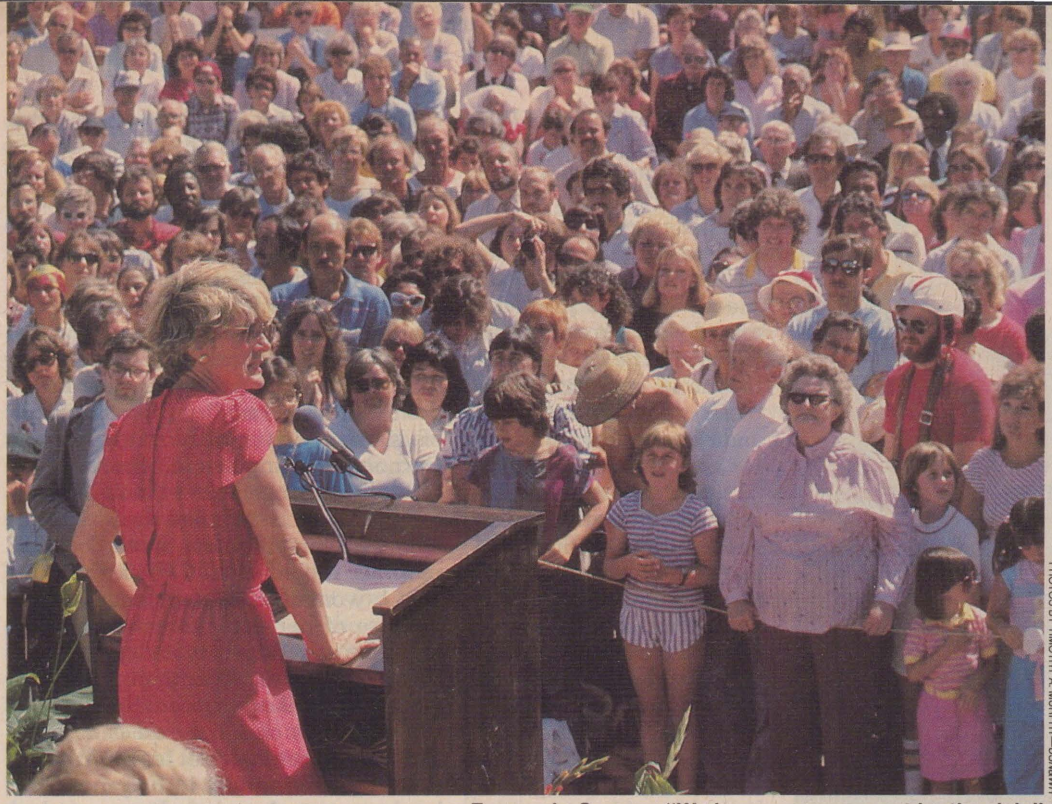
President Reagan has not outlined a specific plan for cutting the federal deficit, but here, from various presidential statements, are positions he has taken—

Taxes

- No increases, except as a last resort.
- No increase in personal-income-tax rates.
- No change in personal tax cut enacted in 1981.
- Let full tax indexing begin in 1985 as scheduled.
- Try to establish a simpler and fairer tax system, with help of study to be completed in December.

Spending

- Continue defense buildup at slower pace without cutbacks in major arms systems, including MX, B-1 and Star Wars weapons.
- As proposed earlier, reduce outlays for such social programs as medicare and medicaid, housing subsidies, welfare, nutritional aid and social services.
- Consider further cuts in such nondefense areas as farm supports, transportation, natural resources, business subsidies.
- Improve debt collection, attack on waste and fraud.
- Amend the Constitution to require a balanced budget in most years.
- Give the President authority to veto individual provisions in spending, tax and other measures.



PHOTOS BY TIMOTHY A. MURPHY—USN&WR

Ferraro in Oregon: "We have a government by the rich."

Election'84

Ferraro: "A Tough Lady" Draws the Crowds

The first woman on a major national ticket is injecting badly needed spark into a misfiring Democratic bid.

The spectators may be more curious than committed, but Geraldine Ferraro indisputably has turned into the hottest attraction on the 1984 campaign trail—a tonic for dispirited Democrats sorely needing a lift.

"We love you!" audiences shout wherever she goes. Throngs chant excitedly for "Gerry! Gerry!" Fathers hoist daughters onto their shoulders for a better look at history. Women press close to grasp her hand.

Feminists idolize the first woman on a major national ticket. Democratic optimists predict that she will lure millions of women voters—including many female Republicans—to the polls in a tidal wave that will sweep Ronald Reagan out of the White House.

Skeptics retort that Americans are not ready to put a woman in the Vice Presidency, only a step from the Oval Office. They contend that she is too liberal and argumentative; that the furor over her family's finances casts doubt on her judgment.

How many votes Ferraro will draw on November 6 remains to be seen. But there is no mistaking the fact that the three-term congresswoman from Queens, N.Y., is generating more excitement than any vice-presidential candidate in memory.

Traveling with Ferraro on the campaign trail quickly shows why.

In just a few weeks, the 49-year-old candidate has etched a clear political image—that of an ebullient disciple of straight talk and tough rhetoric.

Her trademarks are unmistakable: The nasal, staccato Queens accent, the punctuation of sentences with a New York-style "Yeah," the waving of the hands for emphasis, the eagerness to meet people of all varieties one-on-one, as well as delight in addressing large crowds.

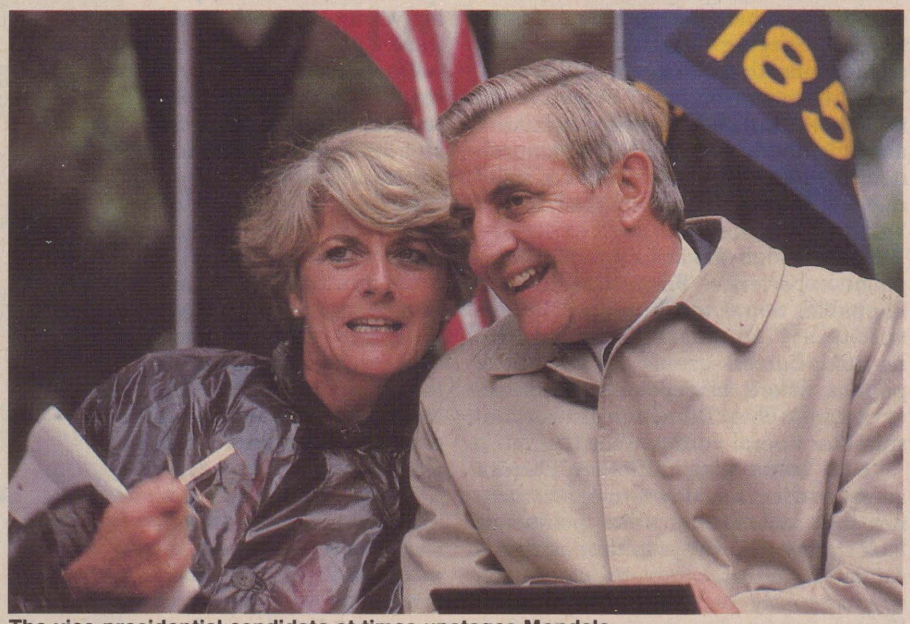
Fields of fire. She is constantly on the attack against President Reagan, blasting him for accelerating the arms race, bloating the federal budget, and promoting domestic policies that she says are unfair to minorities, women, the poor, the middle class and others.

Where running mate Walter Mondale's anger sometimes seems forced, her outrage comes across as natural.

"We have a government by the rich, for the rich and of the rich," she declared in Eugene, Oreg.

Referring to the President's use of U.S. troops in Beirut and the terrorist bombing of the Marine compound, Ferraro told another group of Oregonians in Portland: "Our leaders made a mistake, and over 250 young men paid for it with their lives. It was horrible when those men died. But it was an outrage that they died for no reason."

Sometimes the congresswoman's



The vice-presidential candidate at times upstages Mondale.

Ferraro doesn't hesitate to take on challengers.

bluntness and inexperience get her into trouble. In Independence, Mo., she confused a "first strike" with "first use" of nuclear weapons. Although she quickly recovered, political veterans warn that her tendency to shoot from the hip could prove costly, especially in a debate with an experienced Vice President Bush.

The fiery candidate refuses to back off, even from what seems like a no-win situation such as her current battle with New York Archbishop John O'Connor over the deeply controversial abortion issue.

As Ferraro prepared for a Midwest swing, O'Connor accused her of mistakenly saying church teachings against abortion were, in his words, "open to interpretation." Ferraro, who is Catholic, insisted that she was talking about individuals' beliefs, not church doctrine. The dispute remains a stalemate, with neither the archbishop nor Ferraro giving in.

Even though she lacks national campaign experience, Ferraro seems unflappable. Some attribute her imperturbability to years spent in the no-holds-barred arena of New York politics, where she represents a conservative, "Archie Bunker" district despite her liberal voting record.

"God bless you." Another Ferraro asset: A cheerful, down-to-earth manner that makes most other politicians look stodgy. She sways in time with the music played at campaign stops. She spontaneously picks out placards she likes in a crowd and comments. One recent favorite: "Jane Wyman was right." Actress Wyman was Reagan's first wife before a divorce.

As she began speaking at Truman High School in Independence, Mo., a loud sneeze erupted from the crowd. Ferraro stopped, looked in the direction of the noise and said, "God bless you." The delighted audience broke into laughter and applause.

Later, the students listened in fascinated silence as the candidate discussed abortion in personal terms rarely heard on the campaign trail. "I never would have an abortion," she said. But she admitted that if she became pregnant after a rape, "I am not quite sure what I would do."

Ferraro often meets privately with women activists. But publicly, she is just as likely to discuss the nuclear-arms race and Central America as the equal-rights amendment.

Her background as a former schoolteacher often comes through. During a question-and-answer session at Truman High, Ferraro's classroom instincts took over as she sat on a stage before 1,000 students and teachers. She periodically wagged a finger at the crowd for emphasis, taking absolute control of the discussion. At one point, she hushed a few whispering youngsters with a cold stare.

One pupil asked her to explain why he should register as a Democrat instead of a Republican. Ferraro quickly turned the tables by asking what he thought of the nuclear-weapons race.

"I don't think much about it," he replied sheepishly. After Ferraro expressed astonishment, the student added, "Too busy with homework"—drawing cheers from his classmates.

Ferraro's blunt verdict: "I would suggest, then, that you register as a Republican." The crowd seemed torn between sympathy for the embarrassed youngster and support for the feisty speaker.

The congresswoman not only attracts loyal Democrats, she draws many uncommitted but curious spectators, in throngs that often exceed audiences that turn out for Mondale. In fact, some polls find her more popular than her running mate.

"Before they meet her and see her, it is the idea of a woman as Vice President that's exciting," says Peter Goelz of Kansas City, coordinator of the Democratic campaign in Missouri. "After they hear her, they know she's a tough lady, and they like that."

Adds Sheri Barnard, a city-council member in Spokane: "I think she's the No. 1 woman politician, and I think because of her, lots more women will have the guts to get up and go."

Character test. Many pundits first wondered if Ferraro could withstand the pressures of a national campaign. But as Representative James Weaver (D-Oreg.) told a rally in Eugene: "She has been tested, and we have seen her come through the fire cool and collected. That is the kind of character we need in the highest offices of the land."

Yet the furor over her money problems this summer made Ferraro won-

She is at her best in informal situations.

der if the chance at the Vice Presidency was worth the cost. Asked if she would still accept the nomination if she had it to do over, Ferraro replied several weeks ago: "I think I would have looked very closely at how many people would have been hurt. And I might have said it's not worth it."

Now, those doubts she admitted to publicly appear to be gone.

The issue, however, is not dead. The House Ethics Committee voted 12-0 on September 12 to investigate whether she violated congressional rules in her financial-disclosure reports. No conclusion is expected until after the election.

The Ferraro campaign team still lacks seasoning. On a recent tour, a barbecue lunch was laid out for the media in Kansas City—at the same time the candidate was scheduled to speak next door. Most reporters opted for the food, rather than the speech.

In the same city, her chartered jet broke down as Ferraro was preparing to head home to Queens. The candidate, her staff, Secret Service agents and scores of reporters rushed to book last-minute commercial flights.

Despite such problems, the atmosphere on the campaign plane is usually upbeat. Aides enjoy Ferraro's company and are pleased with crowd reactions—even if the ticket is lagging badly in the polls.

Asserts Campaign Manager John Sasso: "The polls go up and down. The polls are not depressing at all."

The clock ticks. The candidate carefully paces herself on the road. She generally builds her itinerary around two or three main events a day, blending formal speeches with informal forums. She performs better in impromptu situations—where her rapid-fire delivery and quick wit are most effective—than with prepared texts.

Ferraro is a stickler for punctuality. "This candidate feels very strongly about being on time," press aide Beth Donovan admonished the traveling reporters after several were nearly left behind at a San Diego hotel. "When it says 8:10 a.m. on the schedule, she means 8:10."

If the Mondale-Ferraro ticket loses, she will be out of public office, having given up her seat in the House. But she still would be a strong favorite to win her party's U.S. Senate nomination in 1986 and challenge New York's Republican incumbent Alfonse D'Amato.

Other Ferraro fans are setting their sights higher. After hearing her speak in Kansas City, a young woman turned to a friend and said, "I wish she was running for President." □

By KENNETH T. WALSH

It's No Picnic For George Bush

Geraldine Ferraro is proving both blessing and curse for the man whose job she covets—George Bush.

When Bush flew south for a campaign swing in mid-September, he was followed by a chartered plane packed with journalists who are giving the race for Vice President its closest scrutiny ever.

While welcoming all the attention, Bush also finds it has drawbacks.

The Republicans' No. 2 candidate grumbled gently about the lopsided amount of publicity devoted to his opponent. He grew testy when reporters pressed for his reaction to the dispute over abortion going on between Ferraro and Archbishop John O'Connor of New York. Bush said he would not oppose abortion in cases of rape—a position that put him at odds with both O'Connor and Ronald Reagan.

Bush's strategy for running against the first woman vice-presidential candidate of a major party is to ignore her to the extent possible and, instead, direct his campaign against Walter Mondale. "What's going to determine this election is the top of the ticket," he insists.

Yet the Ferraro factor refuses to go away. GOP strategists are grappling with the challenge Bush faces in an expected debate. One backer summed up Bush's dilemma: "He's got to be a gentleman, but she can be real tough."

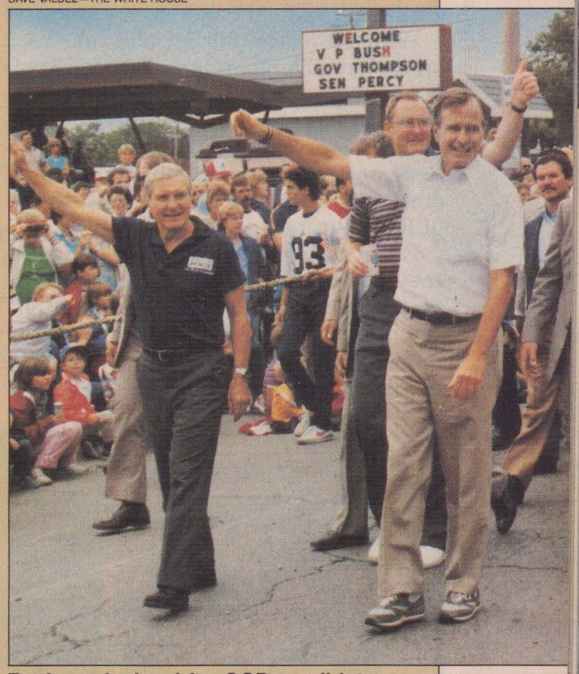
Bush is Reagan's point man against Mondale. While the President rarely mentions Mondale by name, Bush often does and in scathing terms. In North Carolina, he made the administration's bluntest criticism of Mondale's plan to cut the deficit, calling it "a program for failure" that would halt the country's economic recovery.

As Reagan's chief surrogate on the campaign trail, Bush, 60, travels more often and to more places than his boss. The former congressman, party chairman, head of the CIA, and envoy to China seems to relish talking to voters. To the consternation of aides, he plunged unexpectedly into a conference of real-estate agents meeting next door to where he had held a press conference in Charleston, S.C.

The Vice President has honed his campaign skills since a sometimes flaccid 1980 effort. His voice still rises when he gets excited, but he stirred several hundred Wake Forest University students with a fiery, patriotic appeal. Earlier in the day, however, he seemed trapped in his preppy image as he made awkward comments to workers at a North Carolina furniture factory.

In his speeches, the Vice President echoes Reagan's themes of an America enjoying an economic recovery and revival of national purpose under Republican leadership. Ever since August, when he inadvertently contradicted Reagan on the chances of a tax increase, Bush has been particularly careful to avoid undercutting the President.

DAVE VALDEZ—THE WHITE HOUSE



Bush works hard for GOP candidates.

Bush's loyalty to Reagan has eased the suspicions of conservatives who once opposed him. In Raleigh, Bush campaigned for Senator Jesse Helms (R-N.C.), who led a brief fight against his nomination four years ago.

Dogging Bush almost as closely as the specter of Ferraro is speculation about whether he will seek the White House in 1988. At the end of a speech in Columbia, S.C., GOP Senator Strom Thurmond suddenly seized Bush's arm, held it aloft and proclaimed him "a future President of the United States."

Bush looked surprised and uncomfortable at yet another twist in one of the most unorthodox races for Vice President in U.S. history.

By JOSEPH P. SHAPIRO

Democratic Senate? Slim Chances Grow Slimmer

Republican hopes of keeping control of the chamber are soaring on the prospects of a Reagan landslide.

The Democrats' hopes of regaining control of the Senate on November 6 are fading fast.

With 19 of the 55 Republican seats on the line, Democrats once thought of winning back the majority they lost in Ronald Reagan's 1980 landslide.

But the prospect of another lopsided Reagan triumph has dampened Democratic expectations while raising those of Republicans.

Democratic leaders, still confident they can hold all of their own 14 seats that are on the ballot this year, need six Republican turnovers to take control. Few analysts, however, expect the party's gains to total more than four.

Senator Richard Lugar of Indiana, chairman of the National Republican Senatorial Committee, recently revised his prediction of a 3-to-4-seat GOP loss. He now speaks of breaking even or even scoring a 2-to-3-seat gain.

Senator Lloyd Bentsen of Texas, chairman of the Democratic Senatorial Campaign Committee, says he doubts the President's popularity will spill over to other Republican candidates any more than in the past. Democrats, he points out, scored Senate gains in 1956 and 1972, while GOP Presidents were winning re-election by landslides.

Experts in both parties agree that only a single GOP seat is in serious jeopardy—the one being vacated by retiring Majority Leader Howard Baker of Tennessee.

Four Major Battlegrounds

In that race, Representative Albert Gore, Jr., son of a former senator, holds a solid lead over his Republican opponent, former State Senator Victor Ashe.

Other major battlegrounds with Republican incumbents are in North Carolina, Iowa, Illinois and Texas. In each state, Reagan could be a factor.

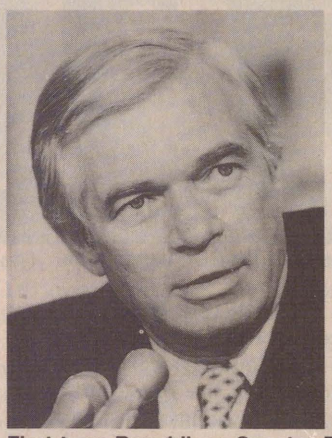
One of the year's bitterest and most costly Senate clashes is raging in North Carolina, where Democratic Governor James Hunt is challenging two-term Republican Jesse Helms.

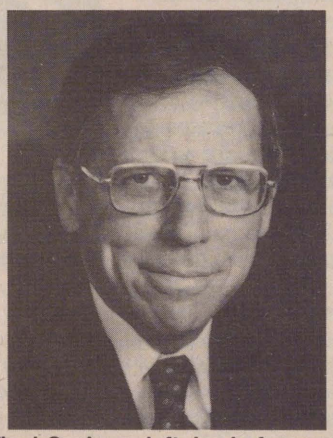
Helms has been battering Hunt with critical television ads for nearly a year. In recent weeks, the governor has been retaliating in kind. Most observers rated Hunt the clear winner in the first of their series of televised debates this fall.

Helms, who taps a national network of conservative donors, has the edge in campaign contributions—8.5 million dollars to Hunt's 5.3 million as of July 1. But Hunt is believed to be better organized. Polls, which have seesawed all year, indicate a tight race.

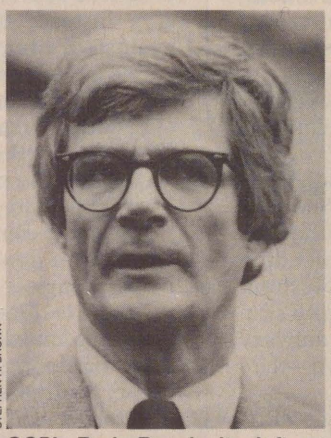
Close in Midwest. In Iowa, analysts give a slim but steady lead to Democratic Representative Tom Harkin over GOP incumbent Roger Jepsen.

Neighboring Illinois finds three-term





First-term Republican Senator Thad Cochran, left, leads former Democratic Governor William Winter in Mississippi.

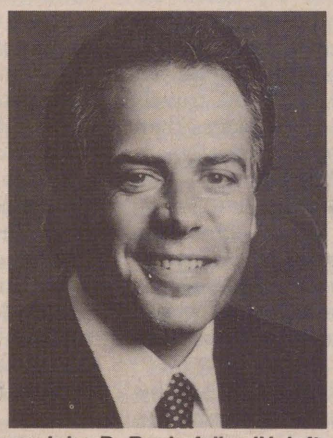


STEPHEN R. BROWN

DARRYL HEIKES—USN&WR

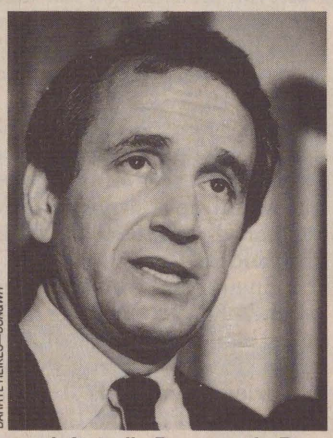
GOP's Rudy Boschwitz, left, a major Democratic target, is comfortably ahead of Joan Growe in Minnesota.

DARRYL HEIKES—USN&WR



West Virginia Democratic Governor John D. Rockefeller IV, left, seeks Senate seat in battle with GOP's John Raese.

TIMOTHY A. MURPHY—USN&WR



DARRYL HEIKES—USN&WR

Freshman Republican Roger Jepsen, left, trails Democratic Representative Tom Harkin in close race in Iowa.

GOP Senator Charles Percy facing the fight of his life against downstate liberal Representative Paul Simon. Labor, black and Jewish leaders, some of whom have backed the moderate Percy in the past, are supporting Simon. Percy is fighting to win over disgruntled conservatives who opposed him in the party's primary last winter.

To bolster his appeal among conservatives, Percy is tying himself closely to Reagan. Simon, meanwhile, is distancing himself from the tax programs of Democratic presidential candidate Walter Mondale. Recent polls give Percy a narrow lead.

Reagan also is a factor in Texas, where GOP Representative Phil Gramm, a former Democrat, leads Democratic State Senator Lloyd Doggett for the seat being vacated by four-term Republican John Tower. If Mondale can cut by half Reagan's current 20-point lead in the state, some Texas analysts say, Doggett could edge out Gramm.

Another Democratic priority seat is in Mississippi, where incumbent Republican Thad Cochran is fighting off former Governor William Winter. Blacks, expected to vote in record numbers this year, may determine the outcome.

High on the list. Others high on the Democratic hit list but leading now are GOP incumbents Rudy Boschwitz in Minnesota and Gordon Humphrey in New Hampshire.

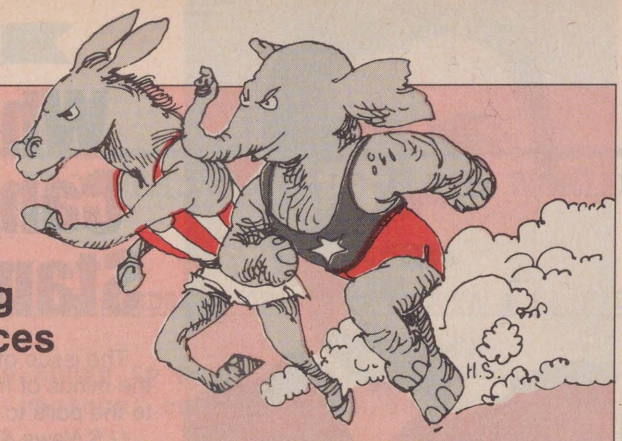
The Democrats' most vulnerable seat is in Massachusetts, where incumbent Paul Tsongas is retiring. A September 18 primary victory by GOP veteran Elliot Richardson, a party moderate, would establish him as at least a slight favorite over either Lt. Gov. John Kerry or Representative James Shannon, top contenders in the Democratic contest. A primary victory by conservative Republican Ray Shamie, however, would greatly enhance Democratic expectations of holding the seat.

The GOP also has hopes of capturing the West Virginia seat of retiring Democrat Jennings Randolph. Governor John D. Rockefeller IV has the edge over Republican businessman John Raese, but polls indicate the margin is soft, with many voters critical of Rockefeller's eight-year performance as governor.

Republicans also are targeting first-term Democrat Carl Levin in Michigan, although a survey in late August showed Levin with a 3-to-1 lead over his GOP opponent, former astronaut Jack Lousma.

Other Democrats and Republicans running this year are considered likely to survive without serious trouble, no matter who wins the White House. □

By THOMAS J. FOLEY



State by State

Handicapping The 1984 Races

Alabama: Democratic incumbent Howell Heflin leads GOP's Albert Smith.

Alaska: GOP Whip Ted Stevens is a shoo-in over Democrat John Havelock.

Arkansas: Republican Representative Ed Bethune is making at least some progress against strong Democratic incumbent David Pryor.

Colorado: GOP incumbent William Armstrong is far ahead of Nancy Dick.

Delaware: Democratic Senator Joseph Biden should beat GOP's John Burris.

Georgia: A walkover is likely for Democratic incumbent Sam Nunn.

Idaho: GOP incumbent James McClure is swamping Democrat Pete Busch.

Illinois: Republican Charles Percy, seeking a fourth term, faces his toughest challenge from Democratic Representative Paul Simon.

Iowa: Democrat Tom Harkin leads Republican first-termer Roger Jepsen.

Kansas: GOP Senator Nancy Kassebaum should beat Democrat Jim Maher.

Kentucky: Democrat Walter Huddleston leads GOP's Mitchell McConnell.

Louisiana: Democrat Bennett Johnston's third term is a cinch.

Maine: GOP incumbent William Cohen leads Democrat Elizabeth Mitchell.

Massachusetts: September primaries in both parties will help determine who is to succeed retiring Democrat Paul Tsongas.

Michigan: Democratic Senator Carl Levin leads GOP's Jack Lousma.

Minnesota: Republican incumbent Rudy Boschwitz leads Democrat Joan Growe handily in Walter Mondale's home state.

Mississippi: Republican Thad Cochran fights Democratic tradition and former Governor William Winter for a second term.

Montana: Democrat Max Baucus leads GOP's Chuck Cozzens comfortably.

Nebraska: GOP's Nancy Hoch trails Democratic incumbent James Exon.

New Hampshire: GOP freshman Gordon Humphrey leads Norman D'Amours.

New Jersey: Democratic first-termer Bill Bradley should defeat Republican Mary Mochary going away.

New Mexico: GOP Senator Pete Domenici is safe from Democrat Judy Pratt.

North Carolina: Flip a coin between two-term Republican Jesse Helms and Democratic Governor James Hunt.

Oklahoma: Democrat David Boren should hold off GOP primary winner.

Oregon: GOP veteran Mark Hatfield leads Democrat Margie Hendriksen.

Rhode Island: Democrat Claiborne Pell is on his way to a fifth term over GOP's Barbara Leonard.

South Carolina: Republican Strom Thurmond, facing Democrat Melvin Purvis, is a cinch for term No. 6.

South Dakota: GOP's Larry Pressler should take George Cunningham.

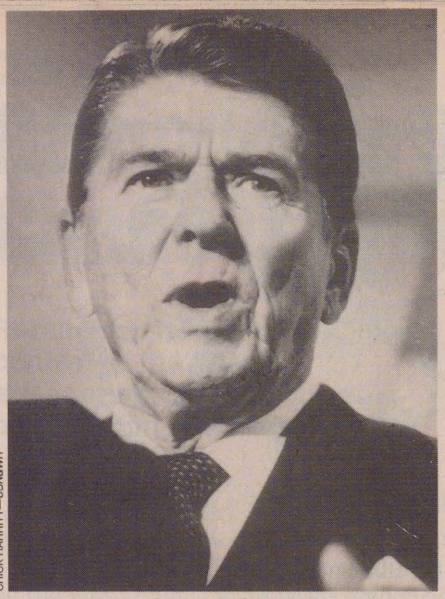
Tennessee: Democratic Representative Albert Gore, Jr., is far ahead of Republican Victor Ashe for seat of retiring GOP leader Howard Baker.

Texas: GOP Representative Phil Gramm is holding off State Senator Lloyd Doggett for seat being vacated by Republican John Tower.

Virginia: GOP incumbent John Warner leads Democrat Edythe Harrison.

West Virginia: Democratic Governor John D. Rockefeller IV should beat the GOP's John Raese for the seat of retiring Democrat Jennings Randolph.

Wyoming: No Republican incumbent is safer than Alan Simpson.



CHICK HARRITY—USN&WR

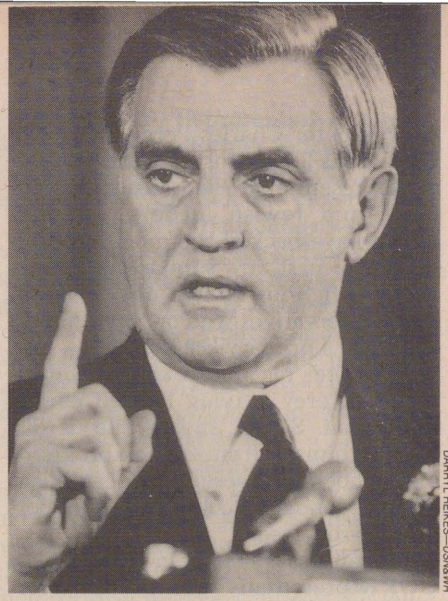
Ronald Reagan

Election'84

Where the Candidates Stand: Part 2

The issue of war and peace will be on the minds of many voters when they go to the polls to choose a President.

U.S.News & World Report researched the candidates' positions on national security and foreign relations and compares them here in the second in a series of head-to-head confrontations on major campaign topics.



DARRYL HEIKES—USN&WR

Walter Mondale

Push a consistent and steady increase in defense outlays, including 7.8 percent more for the coming year. Continue the emphasis on modernizing major new weapons systems while improving the combat readiness of conventional forces.	**What would you do about defense spending?**	Boost defense spending but at half the rate proposed by Reagan. Shift the focus from costly equipment such as nuclear-powered aircraft carriers in favor of building up the readiness of conventional forces. Crack down on Pentagon waste and fraud.
Press for more research on a space-based antimissile defense system. Deploy sea-launched nuclear cruise missiles and continue development of the MX missile, B-1 and "stealth" bombers as well as Trident 2 submarine-launched missiles.	**What is your approach to new weapons systems?**	Hold up testing an antisatellite system and deploying sea-launched nuclear cruise missiles pending negotiations with the Soviet Union on banning them. Scrap the MX missile and B-1 bomber while proceeding with a single-warhead missile, Trident 2 submarine missiles and "stealth" bombers.
Stands ready to talk with Soviet leaders at any time, preferably if the conference is well prepared in advance and has a good chance of making substantial progress.	**Do you favor summit talks with the Soviets?**	Invite the Soviets, on the first day he takes office, to a summit within six months in Geneva and attempt to establish an annual schedule for such conferences.
Negotiations to reduce nuclear-arms levels, not just freeze or limit their expansion, will be resumed whenever the Soviets wish. Would not sign any agreement permitting Moscow a clear edge on such systems as intermediate-range missiles.	**Where do you stand on holding arms-control talks with the Soviet Union?**	Seek a mutual, verifiable freeze on nuclear weapons. Offer Moscow a six-month moratorium on underground nuclear explosions and testing antisatellite systems. Negotiate verifiable treaties barring antisatellite and anti-ballistic-missile systems.
Continue strong U.S. support for Israel and moderate Arab nations. Work for an autonomous Palestinian entity in the West Bank and Gaza. Oppose moving the U.S. Embassy from Tel Aviv to Jerusalem. Back a negotiated end to the Iran-Iraq War. Keep U.S. forces ready to protect oil supplies.	**How do you plan going about defusing the explosive Middle East?**	Return to Camp David-type talks for solving the Arab-Israeli conflict while reaffirming unreserved support for Israel. Bar selling advanced weapons to Arab nations. Move the U.S. Embassy to Jerusalem. Use U.S. troops if necessary to prevent a blockade of oil shipments through the Persian Gulf.
Display a strong military presence and keep up military and economic aid to counter Soviet-supported subversion. Continue pressing El Salvador to improve human rights but oppose moves in Congress to condition aid on that basis. Help finance antigovernment rebels in Nicaragua.	**What should be this country's policy in Central America?**	Sharply reduce the American military presence. Stress land reform and human rights in El Salvador and end U.S. military exercises in Honduras. Cut off aid to Nicaraguan rebels and press for removal of all foreign forces from the region.

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ARABS LOOK INWARD

Arab world, like Israel, is in no shape to push for Mideast peace soon. Leaders have their hands full with regional conflicts, unrest at home.

Top priority for Israel's new coalition government is a foundering economy. As for the preoccupations of the key Arab players . . .

Syria. Main military foe of the Jewish state is mired down in role of mediator in war-torn Lebanon, embroiled in an internal power struggle.

President Assad retains control, but his brother, Rifaat, and the Army are maneuvering to succeed him. Generals are gaining influence for now.

Jordan. King Hussein is disgusted with the close Washington-Jerusalem connection, shuns any U.S.-sponsored peace process. He won't make a move unless West Bank Palestinians give the O.K. Not in the offing.

Egypt. Interested most in improving ties with fellow Arabs after suffering years of isolation for signing treaty with Israel. Cairo is not about to jeopardize newly forged Arab links with peace initiatives.

Saudi Arabia. Not ready for gambles abroad in the face of worries about Islamic extremists, widening of Iran-Iraq War and low oil prices.

Palestine Liberation Organization. Credibility is shot after defeat in Lebanon, scattering of followers, internal disputes. Most pressing task for Yassir Arafat is to re-establish his leadership credentials.

Iraq. No time for anything but war for survival against Iran.

True, in the unpredictable Middle East, a startling turn of events could catapult Arab-Israeli peace to the head of the agenda. But--

That's not likely. Even prospects of a fresh American proposal for compromise after U.S. elections in November produce no excitement.

NEW CYPRUS CONTACTS

Weigh chances for success of United Nations-sponsored contacts between quarreling Greek and Turkish Cypriots, and the tilt is toward pessimism.

Biggest plus is that a communications pipeline is open again. It took U.N. Secretary General Pérez de Cuéllar a year just to accomplish that.

But note that these are only "proximity" talks. There's no direct confrontation between Greek Cypriot President Kyprianou and Turkish Cypriot leader Denktash. Instead, U.N. mediators shuttle between rooms.

More discouraging, positions have hardened drastically since Denktash declared an independent Turkish Cypriot state in November, 1983.

Key to progress is whether Greece and Turkey, which almost went to war over Cyprus in 1974, will force Cypriot clients to make concessions.

Rift between Athens and Ankara is too deep for that to happen.

LONDON'S NEW MAN IN ULSTER

Britain's newly appointed Secretary of State for Northern Ireland is learning fast why Ulster is called the "Siberia of British politics."

Even as Douglas Hurd assumed the post, rivals in Ulster's civil strife signaled no letup in the bloody conflict that has taken 2,400 lives in

(over)

the past 15 years and defied efforts of all previous ministers at compromise. Terrorists of the Irish Republican Army shot police down in one ambush; Protestant extremists were blamed for 18 bomb scares.

As for Hurd himself, the longtime foreign service officer stirs more suspicion than enthusiasm. Protestants resent the fact he once met IRA leaders face to face; IRA members call him a "political lightweight."

Hurd's predecessor, James Prior, is equally unencouraging. His advice as he reassumed a low-profile seat in Parliament: Expect no dramatic, easy progress. Mood in Ulster offers no reason to doubt him.

BLOW TO QUEBEC SEPARATISM

Add Quebec separatists to list of losers in Canada's elections. Why?

Prime Minister-elect Mulroney's victorious Tories are strong advocates of greater provincial, less federal, control. Resentment of Ottawa's ever increasing grip during 15 years of Liberal Party rule helped spur the drive for independence in French-speaking Quebec. So, granting more power to the country's 10 provinces will steal secessionists' thunder.

Even Quebec's Premier Lévesque, a prime mover for a breakaway state, hints of compromise. "If the federal system can make itself better and more attractive," he says, "well, the best man wins eventually."

Still, Mulroney will have to ration future concessions to Quebeckers. Granting too many would trigger revolt in the West, a Tory stronghold. Westerners think Francophones of Quebec already hold too much influence.

LATINS' DRIVE ON DRUGS

Latest crackdowns on drug traffic by Colombia and Bolivia--under pressure from Washington--are riddled with risk for their leaders.

In Bolivia, production and sale of coca leaves, source of cocaine, is big business, a major income earner for peasants as well as dealers.

The economy, however, is a basket case. Only quiet U.S. intervention has saved President Siles Zuazo from military coups. With peasants up in arms over the antidrug campaign, his government faces more danger.

In Colombia, President Betancur is far more secure. But the reach of drug dealers is wide. They had infiltrated politics, the judiciary, the armed forces and had established ties with leftist guerrillas.

Recent assassination of the Minister of Justice by drug mobs' gunmen was the last straw. Betancur launched his offensive. But while many traffickers are on the run, Betancur braces for a backlash from others.

U.S., No. 1 market for the drug dealers, isn't about to relax either.

Narcotics traders fleeing Bolivia and Colombia are reported setting up shop in neighboring Latin nations--Peru, Ecuador, Brazil and Venezuela.

Look for the United States to start demanding action there next.

MAILED FIST IN CHILE

Chilean hopes for an accelerated return to democracy are vanishing.

Just the opposite. President Pinochet marked his 11th year in power in mid-September with a warning that mounting antigovernment protests are a "dangerous germ of subversion" and that he intends to stop them.

Reformers vow they won't give up. But Pinochet can ride out any storm as long as armed forces stay loyal. There's no sign the generals won't.

Can Israel's "Odd Couple" Make It Work?

Success of the new regime is in question. And if it fails, the shock waves could spread as far away as Washington.

JERUSALEM

Formation of a fragile "national unity" government in Israel in mid-September confronts the U.S. with a new—and unwelcome—Middle East reality.

America's major ally in the region not only is too divided now to push ahead on Mideast peace proposals but may be too weak to cure its severe economic ills, even with greatly expanded U.S. financial and military aid.

After seven weeks of haggling, Labor Party chief Shimon Peres became Israel's Prime Minister on September 14. His chief opponent and the caretaker Prime Minister, Likud-bloc leader Yitzhak Shamir, became Foreign Minister. The two men will swap jobs after 25 months if their unwieldy coalition, which includes religious and other minority parties, lasts that long.

Even Peres describes his new regime as "born on divided ground." One senior Israeli official calls the arrangement a "prescription for paralysis."

The marriage of political convenience was made necessary by an election on July 23 that left both Labor and the Likud far short of a majority in the 120-seat Knesset—parliament.

Sharon a factor. Approval of the unity regime was stalled repeatedly while leaders tried to resolve political infighting over building new Jewish settlements on the occupied West Bank, ending the occupation of southern Lebanon and negotiating with Arab nations. Other delays were forced by former Defense Minister Ariel Sharon, a controversial hard-liner who is maneuvering to replace Shamir as Likud leader.

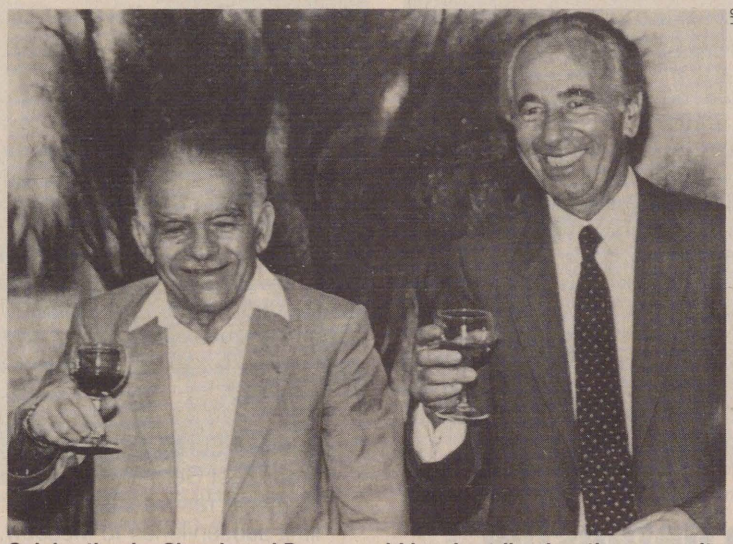
Peres's first priority will be to repair an economy badly battered by soaring inflation, sagging foreign-exchange reserves and a debilitating trade deficit.

Analysts warn that inflation, already running at a 400 percent annual rate, could double within a few months. Other fiscal indicators are just as dismal: Foreign debts total 22 billion dollars. Interest rates of 100 percent a year are commonplace. Imports exceed exports by almost 5 billion dollars a year.

Israel's plight is the result of years of government handouts aimed at keeping living standards high and placating special-interest groups. Prices of food, bus fares and other goods and services are held artificially low. Towns, religious organizations, collective farms, West Bank settlements and scores of other groups get regular subsidies.

All wages are indexed to changes in the cost of living. This protects the workers' short-term purchasing power but feeds inflation by forcing constant expansion of the money supply. In August alone, the government printed 400 million dollars' worth of shekels—$95 in new currency for each Israeli.

Curbing this freewheeling spending by imposing austerity would be a formidable task for a government with a solid popular mandate. It may prove impossible for Peres's shaky coalition. Already, teachers, dockworkers and other unions are threatening to strike.



UPI

Celebration by Shamir and Peres could be short-lived as the new unity government faces many tough economic, foreign-policy challenges.

Still, the new Prime Minister is determined to implement a financial-recovery package that would cut subsidies drastically, reduce the 22-billion-dollar national budget by up to 1 billion dollars, boost taxes, freeze prices and suspend wage indexing temporarily.

Also being counted on to get Israel's economic house in order are a 1-billion-dollar-a-year boost in exports and a massive increase in U.S. aid.

When Peres visits the U.S. sometime within the next six weeks, he will ask for 750 million dollars in immediate aid plus 3.3 billion dollars for 1985—paid in advance. This compares with grants of 2.6 billion in military and economic assistance that the Jewish state is getting this year.

Peres's requests for help are expected to get a sympathetic hearing, if they are accompanied by economic reforms. Says an American diplomat in Tel Aviv: "We are ready to be accommodating, but we are not going to subsidize Israel's conspicuous consumption. Peres had better not arrive in Washington with an empty briefcase, and he had better have an austerity program under way."

Concern about U.S. For Peres, reviving the economy could prove far simpler than handling broader political disputes. In addition to Israel's internal divisions, he faces uncertainty about U.S. Mideast policies that will continue at least until after November's presidential elections.

"It's possible that we will differ over peace plans after the U.S. elections," says a diplomat. "But for now, we really have no idea if Peres is going to be aggressive or settle for the status quo."

The austerity demands could produce a de facto freeze on West Bank settlements. But Peres has promised to go ahead with five new towns that were approved by Shamir, whose government was spending 400 million dollars a year on the projects.

The U.S. has been urging a freeze on the settlements to reduce tension with Arabs living there and with Jordan, which claims title to the region, occupied by Israel in 1967.

Peres hopes to withdraw Israeli troops from Lebanon within six months, though the timetable could slip because of security worries among other political leaders. If the new Prime Minister gets his way, Israel's northern border would be secured by a Lebanese Christian and Shiite Army allied with Jerusalem.

Peres also wants to persuade Egypt to revive diplomatic ties that have been moribund since Israel invaded Lebanon in 1982. This is essential for reopening talks on Palestinian autonomy, or any other issue connected with the Camp David Peace Accords of 1978.

But no progress can be made until Peres demonstrates control over his own government—a control that its fragile base may never make possible. □

By DENNIS MULLIN

CHERNENKO'S NIGHTMARE

An Empire in Turmoil

From Cuba to Afghanistan, from Moscow to Vladivostok, little is going right for the Soviet Union under the weak and indecisive leadership in the Kremlin.

Nearly 67 years after the revolution that was to make Russia a paradise on earth and spread Communism throughout the world, the Soviet Union is in trouble at home and abroad, besieged and suspected by friend and foe alike.

On all sides, the frustrated clique of mainly old men in the Kremlin finds alienation, apathy and shattered dreams.

Many of the Kremlin's wounds are self-inflicted. Others are rooted in the Communist system. Some reflect deep-seated Russian prejudice toward any and all outsiders.

Most of the problems could be eased by imaginative, flexible leadership. Instead, under ineffectual Konstantin Chernenko, the Kremlin has turned in on itself. Its allies are confused. There is a clear-cut sense of drift at home. And a worldwide decline in Soviet prestige is accelerating.

Three major factors explain the sag in Soviet fortunes:

- The continuing Soviet leadership crisis. Since 1977, a power vacuum has paralyzed the Kremlin as an aging leadership, fearful of new ideas and loss of power, has fought a stubborn rear-guard action to defend its position.
- A shift in the East-West power balance. While the Soviet Union has stagnated, the U.S. has begun to recover from the traumas of the 1970s. A major arms program is rebuilding American strength, and Western unity has improved.
- The waning appeal of Communist ideology. Gone are the days when Marxism excited the Russians and Moscow was the hub of world revolution. Gone, too, is any chance that the Soviet economic system will ever become a global model.

Nevertheless, though the Soviet Union is on the defensive, it is neither enfeebled militarily nor on the verge of collapse. Like a wounded lion, the Kremlin may be at its most dangerous as its many difficulties deepen.

From the magazine's bureaus abroad comes this assessment of where the Soviet Union stands today—

Eastern Europe: Straining at the Leash

Two sharply contrasting pressures are at work in Communist Eastern Europe—one exerted by the Soviet Union, the other by Moscow's increasingly restive satellites.

Faced with a rapid deterioration in its ties with the West, Moscow is tightening the screws on its client states to insure that all stay firmly in the Soviet camp.

In quick succession: New Soviet missiles have been forced on East Germany and Czechoslovakia. Pressure has been stepped up to integrate Eastern Europe into the Soviet economic system. Moscow ordered bloc nations to boycott the Los Angeles Olympics. Planned visits to West Germany by East German and Bulgarian leaders were called off.

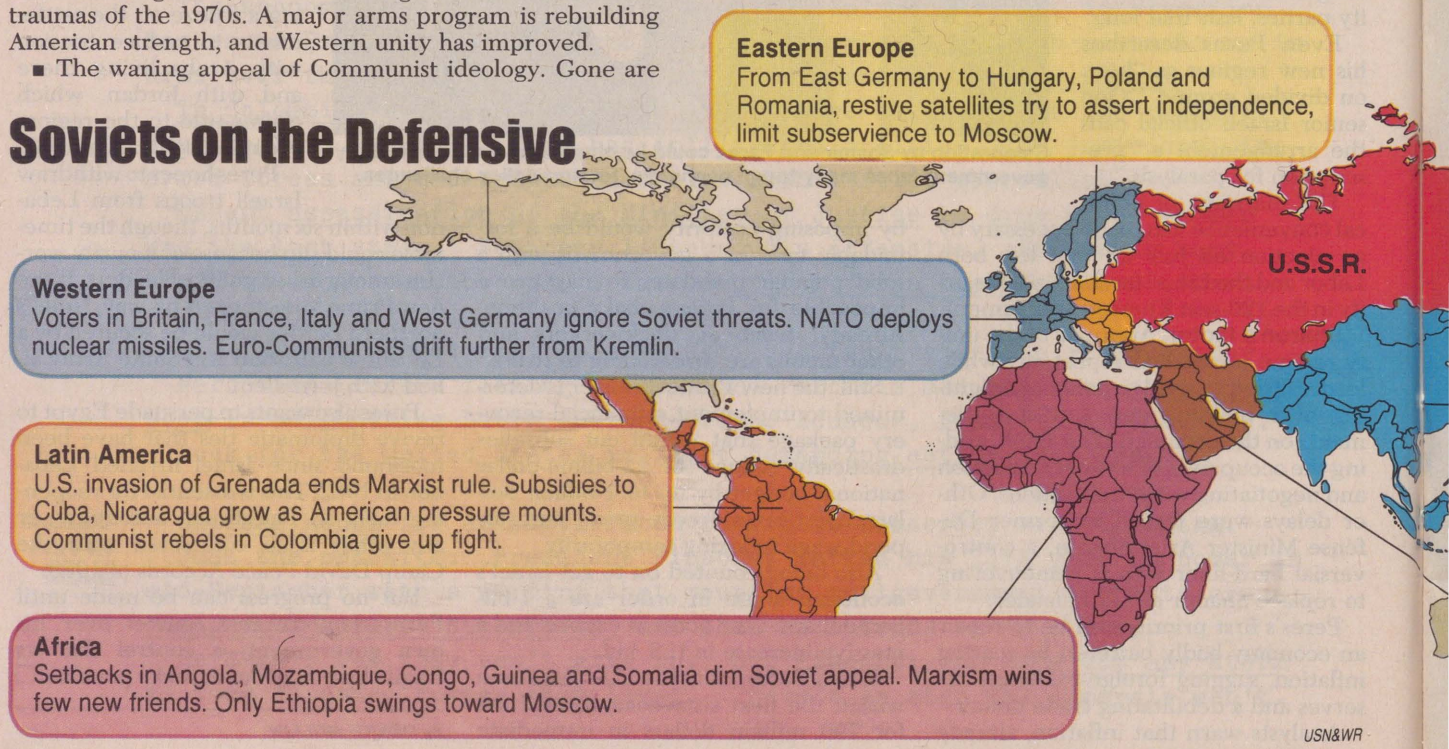
Yet, taking advantage of Kremlin uncertainties, one East European regime after another has been doing all possible to loosen the bonds that lash them to Moscow.

To meet the challenge of recession, countries as diverse as Hungary and East Germany are revamping their economies in ways that threaten state control. Except for Czechoslovakia, each nation in the region is seeking closer economic ties with the West—at the Soviet Union's expense. Political contacts with Western Europe are widening. Everywhere, a sense of national independence is taking hold.

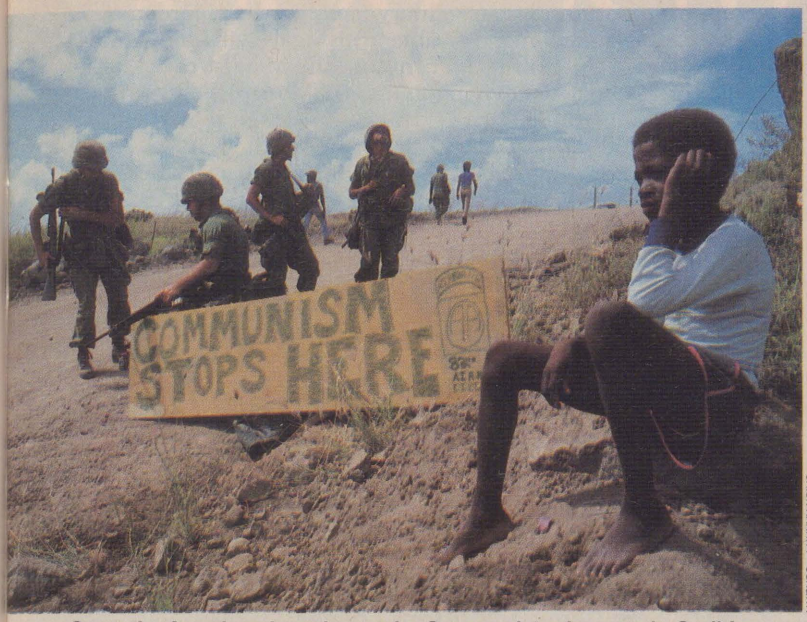
What makes these developments more worrisome for the Kremlin is this: Whatever counterstrategy Moscow devises, the carrot or the stick, Eastern Europe's yearning to free itself from the Soviet yoke seems bound to intensify.

Men born since World War II are on the verge of power in four of the region's six countries—present leaders in East Germany, Czechoslovakia, Hungary and Bulgaria all are in

Soviets on the Defensive

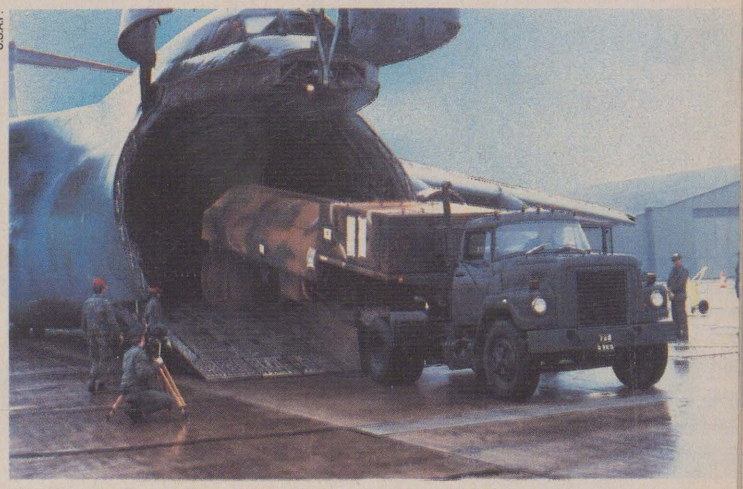


Four Events That Keep The Kremlin Off Balance



CHICK HARRITY—USN&WR

Grenada. American invasion curbs Communist advances in Caribbean.



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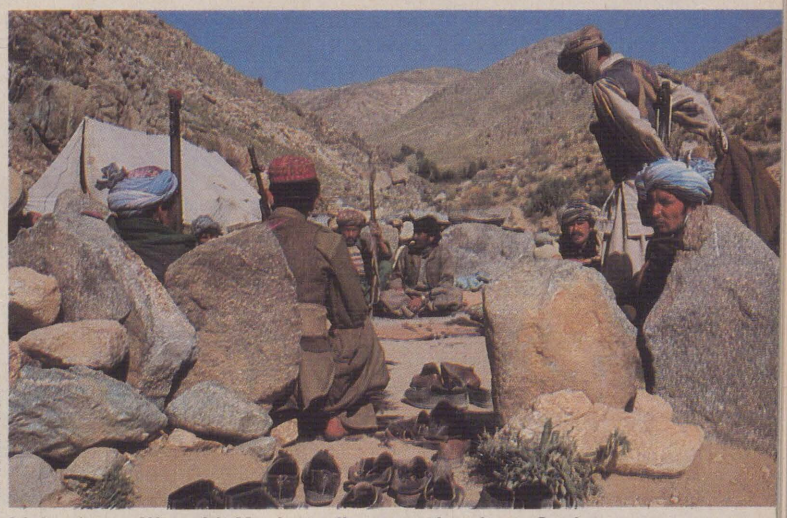
Western Europe. New U.S. missiles boost allied strength.

STEVE LARSON—USN&WR

Poland. National dissent weakens key member of the Soviet bloc.



P. MANOUKIAN—SYGMA

Afghanistan. War with Moslem tribesmen ties down Soviets.

Soviet Union
Leadership problems add to inertia. Appeal of ideology fades. Economic stagnation worsens. Minorities chafe under Russian yoke.

Asia
War in Afghanistan drags on. Ties with China, Japan fray. KAL downing undermines Soviet image. Heavy aid to Vietnam increases drain on resources.

Middle East
Syria's Soviet-supplied Army fails in 1982 war with Israel. Pro-Soviet Palestinians are routed. Moves to wrest Mideast initiative from U.S. stall.

their 70s. The new generation feels no gratitude for Soviet liberation from Nazi Germany. It is nationalistic and impatient and unwilling to wait much longer for prosperity.

Curbing these attitudes by coercion almost certainly would prove counterproductive to Soviet interests. Today, the Kremlin needs its allies as never before—for trade, for technical expertise, for reassurance.

Decay in the Communist bloc is not terminal at the moment. Eastern Europe's Communist establishment still steps in line when ordered. But, for each gesture of compliance, there is one of defiance that increases the rot.

Handling this situation would test a Stalin, let alone a 72-year-old Chernenko. In the long run, innovative policies may be all that could head off an explosive outburst. But innovation is in short supply in Moscow today.

Western Europe: Soviet Pressures Backfire

Nowhere is the drop in Soviet fortunes more marked than in Western Europe, long the cockpit of superpower struggles.

Early in 1982, the Continent's peace movements were in full cry. A seemingly energetic Yuri Andropov had succeeded Leonid Brezhnev. The Reagan administration was viewed with alarm, even by European conservatives. Three key U.S.

Washington. So is Marxist Nicaragua. Argentina, Venezuela and Mexico are opposing further Marxist expansion in Central America. Suriname is restyling its leftist revolution.

The Kremlin also has altered course after watershed decisions that reflect the changing regional power balance.

To Nicaragua, Moscow's new message is blunt and dismaying: Massive Soviet economic and military aid is out of the question. To Cuba, the signal is equally sobering: The Soviet Union will not risk war with the United States over any Western Hemisphere country, even a Communist ally.

"Clearly, the Kremlin is on the defensive," says a well-informed Latin American analyst. "In effect, Latin America is off limits to Moscow."

This situation could last for years. Lacking resources or expertise, Moscow can offer little financial help in easing Latin America's debt crisis. Relations with the region's numerous military regimes are cool, and the Soviet Union is viewed with distrust by many of the area's democracies.

Africa: Picking Up the Pieces

In mid-September, after 10 years of pressure from Moscow, a Communist Party finally was created in pro-Soviet Ethiopia. For the Kremlin, it was a rare African success.

As elsewhere in the developing world, whatever political inroads the Soviets made in the last two decades have hinged heavily on arms deals. That shows no sign of changing. By American estimates, the U.S.S.R. is providing Africa with 11 times more military equipment than the U.S. and four times more than France.

With 25 of the world's 31 poorest countries, weapons are what Africa needs least. Instead, Africa's overriding priority is economic aid. On this score, the Soviets are miserly, to the annoyance of most African governments.

"I think the Russians have downgraded Africa to a considerable extent," says James Mayall of the London School of Economics. "They want to avoid any great commitments, and this reduces their bargaining position."

Also lessening Soviet influence, notably in southern Africa, is South Africa's bid for détente with Mozambique and Angola, both previously firm Russian allies.

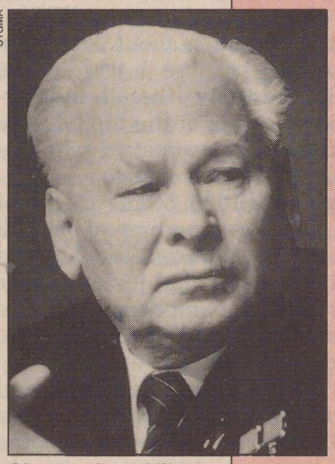
"It's been a dismal year for the Soviets in Africa," notes Denis Austin of the University of Manchester. "South Africa is immensely powerful. The Soviets and their regional friends are having to recognize this."

The Kremlin makes little secret of its displeasure with this turn of events. But its inability to put forward a credible alternative strategy reflects the basic weakness of the Soviet position in southern Africa.

Most African specialists believe that Soviet impotence will continue. As Robert Legvold of the Council on Foreign Relations in the U.S. puts it: "The fact is that unless an African government determines that it is going to follow a military solution, the Soviets don't have much to offer."

Thus, adding up the pluses and minuses, this becomes evident: Years of indecisive leadership by aged and ailing men have weakened the Soviet Union's control over its Communist empire and tarnished its prestige worldwide. Also clear is that Moscow cannot recoup its fortunes without an abrupt change of direction and policy within the Kremlin, a change that is not yet in the cards. □

By ROBIN KNIGHT with the magazine's overseas bureaus



SYGMA

Chernenko. Ailing Soviet President.

At All Levels, an Absence of Strong Leaders

MOSCOW

Outside pressures are not the only ones facing the Soviet Union. Years of lame-duck leadership also are sapping the country's economy and society at home.

Solutions to scores of woes, ranging from alcoholic factory workers to national agricultural setbacks, are being delayed or made more difficult by repeated struggles over political leadership in the Kremlin.

No one is predicting economic collapse or social chaos inside this powerful, closely controlled nation. The overall Soviet economy still is growing, and daily life for most people is improving, however slowly.

Still, many analysts contend that internal troubles have increased sharply since about 1977, when former President Leonid Brezhnev's health began to fail.

Experts here and abroad say that it now would take an exceptionally strong and able leader to reverse deterioration worsened by Yuri Andropov's short term in office and growing doubts that Konstantin Chernenko ever will get a firm grip on the Kremlin reins.

Not even the elevation to power of the Politburo's "young Turks," typified by Mikhail Gorbachev, a 53-year-old agricultural expert, would carry any guarantees of rapidly improving the situation.

A major reason for this is the very nature of the Communist system, as rigid as winter ice on the Soviet Union's northern rivers. Central planning and political controls discourage initiative and innovation among regional and local officials or at the farm and factory levels where directives are put into practice.

Lethargy reigns. "Under the Soviet system, the worst thing is to make a mistake," says an American specialist on the U.S.S.R. "So all kinds of people simply avoid doing or deciding anything to keep from being wrong."

This means that minor problems become major bottlenecks as they are bucked to ever higher levels for a decision—even to the 12-man Communist Party Politburo itself.

Officials of the Academy of Sciences worry that the Soviet Union will always lag behind the West because of delays in putting research to practical application. One solution would be to use more computers and microprocessors at universities—but the educational bureaucracy resists such controversial changes.

Social problems, including a high infant-mortality rate, declining male life expectancy and rampant alcoholism, are largely sidestepped. Brezhnev's attempt to curb drinking by raising prices triggered a wave of poisonous moonshine, so Andropov cut legal liquor costs and dropped the issue.

With the U.S.S.R. facing its sixth bad harvest in a row, agricultural improvement is as far away as ever. Brezhnev's "national food program" gave something to almost every vested interest involved, instead of ordering tough reforms that outside experts say are essential.

But there is no push for anything different down on the farm—or anyplace else in Soviet society. Without strong leadership, that will not change anytime soon.

By NICHOLAS DANILOFF

Why One Soviet Soldier Defected In Afghanistan

"We only came out to kill people." So asserts a young Army sergeant who went over to the Afghan guerrillas.

Sgt. Nikolai Movchan, 21, was drafted into the Soviet Army in 1982 from his home in the Ukraine. After six months, he was sent to Afghanistan where he defected to Afghan resistance forces in June, 1983. He is in the U.S. under the auspices of Freedom House, a New York-based human-rights organization, and the International Rescue Committee. In the following conversation, he tells what life is like in the Soviet Union.

Why defect? Because of what I saw and heard in Afghanistan. We had been told that we were going there to help friends, but no Afghans came to welcome us—not even Communist Afghans. I never saw or talked with a native. We lived isolated, in tents, and only came out to kill people.

Soviet reaction to the war. The folks back home know only that there is a war out there and that people are getting killed. But they don't know why. I'm sure they'd like to shout, "Bring our boys back home." But, of course, they can't. In the Soviet Union, there is freedom only to dream.

Growing up. I joined Komsomol, the Young Communist League. Most young people do because if you don't, you get a verbal working over, and it can be bad for your future. But no one takes it seriously. Members sleep at meetings. When it's time to vote in favor of something, you get a poke in the ribs, and you raise your hand. You don't even know what you've voted for. What's the difference?

Belief in Communism. Nobody believes in Communism, not even a minority, not even Chernenko himself. It's just a matter of memorizing set answers to each question and repeating them automatically. Most of the people believe only in getting by.

The only time I saw people work with enthusiasm was when they were told they would get payment in kind—that means vodka—plus money.

Generally, neither workers nor directors of state-owned enterprises care about the quality of what they turn out or whether it gets sold. The only concern is fulfilling the plan as to quantity. Myself, I made chests of drawers and got paid 7 kopecks each (about 9½ cents). What did I care if they later fell apart?

Young people. Discos recently have appeared. But they're only open from 9 to 11 p.m. Before 9, young people go to movies a lot. They roam the streets, get drunk, bother strangers, engage in group fights. Drugs are not a problem because they are hard to get. But in Afghanistan, all our soldiers smoked hashish.

There is much curiosity among the young about the Western World and the U.S. because practically nobody has been there. Many would emigrate if they got a chance because they don't like it at home.

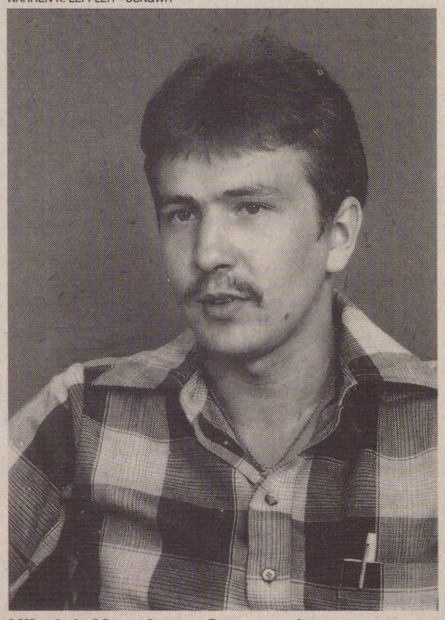
Attitudes toward leaders. Brezhnev brought some positive feelings at first. But at the end there was contempt. People were saying: "What's that oldster doing trying to run the country when he can't even walk?"

I don't know much about Andropov or Chernenko because I was in the Army. But basically, there's indifference about the man at the top because people know that no matter who the leader is, nothing will change.

Living conditions. Stores are full of clothing, yet there's nothing to buy. All the fashions are old, from the '50s and '60s. Nobody wants that junk. To gear up for production of modern stuff takes time and money, and nobody has the incentive to do that.

For a time, butter was scarce and cost 3 rubles and 40 kopecks a kilo (about $2 a pound). Then it became more plentiful and dropped to 3 rubles and 10 kopecks. But it tasted so bad some people joked that it was made from petroleum. Others said no, it was made from wood.

WARREN K. LEFFLER—*USN&WR*



Nikolai Movchan: Communism prevents Soviet people from living like humans.

And so it goes. Yet there is no hunger. Bread always is to be had.

Rent is 10 rubles a month ($13.50) for an apartment. But in my town, at least, you have to wait 10 to 15 years to get one.

And when you're on a waiting list, some young Communist Party member keeps being slipped in ahead of you by party officials.

Soviet propaganda accepted? Are you kidding? There's a saying that when you read a newspaper, you have to reverse what is written and that will be the truth. People are tired of propaganda. Tell me the title of a *Pravda* article, and I'll tell you what's in it.

From childhood on, we've been hearing constant repetition about how wonderful life is in the Soviet Union when we know that it isn't. Propaganda has reached a saturation point. Nobody wants to listen to it any more.

Anti-Americanism. People are skeptical about claims that life in the United States is terrible. They are more inclined to believe what they're told about aggressive U.S. intentions toward the Soviet Union.

Why? Because Soviet television shows new American tanks and planes, never the Soviet counterpart. They show U.S. military bases surrounding the Soviet Union and rockets in countries in Western Europe. But they won't show or tell anything of what the Soviet Union has. Each year, they say that the American government is spending so many billions on arms, but they are secretive about heavy Soviet spending on weapons.

Attitudes of the young. Those active in the Young Communist League or the Communist Party definitely are unpopular with other youths. On the other hand, those who have been to jail or a labor camp—not just for political reasons, but for any reason—are admired. Everyone seeks to be like them.

Those ex-inmates are looked up to as a tough, savvy lot who have mastered the ropes of survival and don't kowtow to the authorities like the rest. They have a large following of young people.

Regrets over defection? I would gladly have remained in my homeland if it were not for the type of system that makes people cease to be human.

I want our people to be truly free to select their leaders—and not just from among Communists. Borders should be opened for travel abroad. In a word, people in the Soviet Union should be allowed to live like human beings. □

Rising Tide of Refugees Escaping From Marxism

Fed up with repression and economic privation, nearly a half-million people leave Communist nations each year.

Small knots of refugees fleeing Nicaragua's Marxist regime pick their way through jungle and swamp to get to Honduras. Half a world away, Afghans carrying all they own pour into dusty refugee camps in Pakistan.

Ever since the triumph of Russia's Bolsheviks in 1917, the pattern has been the same: One Marxist takeover after another is followed by the exodus of vast numbers of refugees—more than 25 million over the past six decades.

The phenomenon shows no sign of abating. Afghanistan, iron-curtain countries, Africa and Asia continue to generate hundreds of thousands of newly homeless people each year.

The U.S. alone has resettled more than 700,000 Southeast Asians in recent years, and more could soon be on the way. Secretary of State George Shultz announced on September 11 that Washington would accept up to 10,000 political prisoners from Vietnam and all of the estimated 15,000 children fathered there by American servicemen.

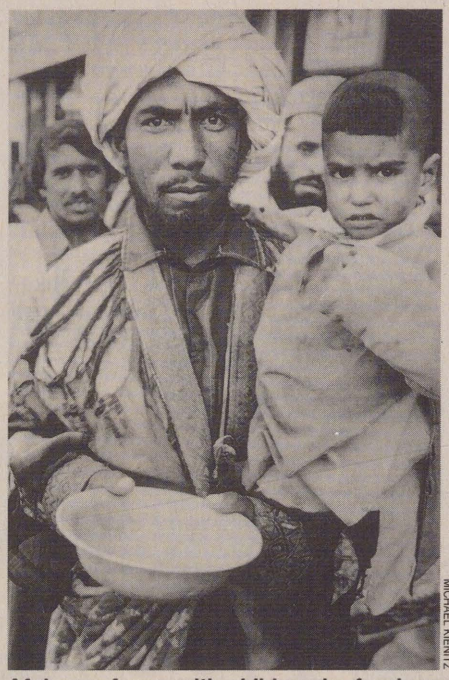
If Hanoi does permit the Vietnamese to leave, they would join about 5 million other refugees around the world listing a Communist country as their point of origin. The latest estimate of the U.S. Committee on Refugees shows the world refugee population totaling 11 million, a rise of about 400,000 over last year.

Finding a new homeland is not always easy. Thousands are stuck in refugee camps, and many others have become "orbit refugees"—stateless people drifting from nation to nation, looking for one that will permit them to stay. Some eventually drop from sight, others are sheltered by relief agencies while the search goes on for a country to take them in.

Whereabouts unknown. "We do not really know what happens to most of these people," reports Candida Toscani of the Office of the U.N. High Commissioner for Refugees. "Their lives are broken, and they go on living off one another as long as they can."

Many refugees cite the choking off of individual liberties by Communist rulers as the key reason that they uprooted themselves to start life anew in a strange land. Others, however, admit that they were motivated as much by economic hardship as they were by political repression.

A large percentage of the 100,000 Cuban refugees who arrived in the U.S. during the 1980 Mariel sealift, for instance, cited food rationing and forced labor in the sugar-cane fields as prime reasons for seizing on Fidel Castro's offer of mass exit visas.



MICHAEL KIENITZ

Afghan refugee with child seeks food ration in one of 300 Pakistani camps.

"Some cases are clear-cut," says a U.S. State Department official concerned with refugee affairs. "Afghans pull up stakes because the Soviets seek to bomb them into submission. It is a matter of life and death for them. Vietnamese and Poles are suffering clear political repression. But is a Nicaraguan running from poverty or from the Sandinistas?"

Whatever the causes, the refugee surge swelled by 400,000 in 1983, bolstered by 200,000 Afghans deserting farms and villages to cross the border into Iran and Pakistan. Afghans, in fact, make up the world's largest refugee population. At least 4 million have left the country since the Soviets invaded in 1979. About 3 million are jammed into 300 makeshift Pakistani resettlement camps that also serve as a home base for many of the Islamic rebels fighting the Russians.

Road to limbo. Elsewhere, refugees from Communist rule in Indo-China are overflowing camps in Thailand, Malaysia and Indonesia. Many of them, including boat people who braved piracy in the Gulf of Siam, have languished for years and have faint prospects of ever being resettled.

More than 230,000 Indo-Chinese, mostly from Cambodia, live in limbo in sprawling refugee camps along the Thai-Cambodian border. They fled a repressive Marxist regime installed by Hanoi, but so far they have been denied Thai permission to settle permanently.

The Cambodians—3,000 are being accepted by the U.S. each month—live crowded into collections of primitive

REGIS BOSSU—SYGMA

People from iron-curtain countries await processing in West Germany.

tin-roofed shacks where food supplies and other United Nations relief are subject to frequent interruption.

Other Asians are also on the move, although in much smaller numbers. Mainland Chinese continue to brave shark-infested waters to swim to freedom in Hong Kong, which prior to sealing off its borders saw more than 500 refugees arriving each week.

In Central America, the 1979 takeover by Nicaragua's Sandinistas triggered the flight of an estimated 62,000 refugees into Honduras and other nearby countries. Honduran officials report new arrivals almost daily.

About 13,000 Nicaraguan Miskito Indians arrived last year, reporting massacres at the hands of Sandinista troops. Also finding refuge in Honduras are thousands of relatives of the *contra* rebels who are trying to topple the Sandinistas.

The iron-curtain countries of Europe provide a steady stream of refugees, the bulk of them bound for West Germany—more than 46,000 in 1983 alone. Nearly half of these come from East Germany, with the rest making their way from Poland, Romania, Czechoslovakia and other Eastern-bloc nations.

In all, more than 1.2 million refugees have fled to West Germany over the years, including 100,000 from Poland after the imposition of martial law and the shattering of the Solidarity union in 1981. The Soviet Union, however, thanks to its heavily policed borders, loses few of its citizens to the West.

Dollars for the displaced. The cost of resettling refugees is great. The United States spends about 1 billion dollars yearly for the domestic support of refugees arriving and already in the country, primarily from Southeast Asia.

In addition, the U.S. contributes one third of the 406-million-dollar budget of the U.N. High Commissioner for Refugees and one third of the 200 million dollars budgeted separately for Palestinian refugees. Millions more go into the Food for Peace and other programs designed to help refugees.

While the U.S. is by far the biggest donor, West Germany, France, Britain and other industrialized nations also spend millions and support equally expensive domestic programs. One U.S. official puts the total world cost for refugee aid at 10 billion dollars annually. □

By WILLIAM L. CHAZE with GEORGE McARTHUR

Interview With Walter Laqueur, Historian, Center for Strategic and International Studies, Washington, D.C.

Soviet Union Today: "Sensitive, Touchy, Slightly Paranoiac"

WARREN K. LEFFLER—USN&WR

Q. Mr. Laqueur, how should the U.S. deal with the Soviet Union at a time when the Kremlin is so defensive?

A The West generally—and the U.S. in particular—should approach the Soviet Union as one would approach an elderly relative who is very sensitive, very touchy, maybe even slightly paranoiac. In short, the times call for patience.

But one also needs to be firm. The West should not make major concessions, because just as with a difficult relative you never know when the attitude is really an act. One must not needlessly offend the Kremlin, but I don't see any reason to make major concessions to try to make them happy.

Q. Is the Soviet Union more dangerous when it is in this frame of mind?

A That is a popular theory, but I'm skeptical. I don't think these people are adventurous. Things could get out of hand, but deliberate aggression is highly unlikely.

Q. Why is Moscow behaving as it is?

A There isn't a single cause. A number of internal problems are having a cumulative impact: The economy doesn't work well, the leadership is old and feeble, the bureaucrats are hunkered down.

Q. When did this shift in Soviet behavior begin to appear?

A A year ago it was the U.S. that was on the defensive, because the view in Europe and Japan was that President Reagan had made inflammatory threats. But since then the Soviet Union has offended just about everyone: The West Germans, the Japanese, the Chinese. It is no longer Reagan alone who finds Soviet behavior offensive.

Q. What does Moscow hope to gain?

A I must say I'm puzzled. Moscow has been acting against its own interests. Soviet leaders know from experience that they make the most headway when they smile and behave nicely. The current "siege" foreign policy does not do them any good. So I don't have a fully convincing explanation for why it's happening, except that these leaders are old people who perhaps are starting to behave somewhat childishly and that there is a certain amount of disarray at the top.

Q. What about the balkiness of the Eastern European satellites?

A This is also a problem but more for the long run. It would be explosive if all East European countries made common cause against the Soviet Union. Yet we know from long experience that this will not happen anytime soon. The Poles and the Czechs don't get along, the Hungarians and the Romanians have conflicts, and everyone is suspicious of the East Germans. So, while these countries are fed up, when the chips are down they will obey the Soviet *diktat.*

Q. Why is détente between West and East Germany anathema to the Kremlin?

A A united Germany is traditionally perceived as a threat in Moscow. In the nuclear age it isn't a threat any longer, but the perception persists.

Q. From the Soviet viewpoint, does it make any difference whether Reagan or Mondale is elected President?

A Not as much as many Americans think, because the U.S., being a big and powerful country, to Soviet leaders will always be dangerous. Even a Communist America would be dangerous from their point of view.

Q. If Reagan is re-elected, could the Soviets keep superpower relations on ice for another four years?

A I'm not sure they could. If Reagan is re-elected, their attitude may change and relations may move back onto a more realistic basis. But the change would be only a matter of emphasis.

Q. Over all, what is the outlook for the stability of the Soviet Union?

A I don't think it's on the verge of collapse. But it's stagnating, and for a society that claims to be making progress all the time stagnation can be almost as bad as decline. On the other hand, we know from history that societies in decline may take a long time to actually fall. Look at the Czarist empire: It was 200 years in decline, yet it took the shock of World War I to bring it to its knees. There is no such cataclysm today, so change will take a long time.

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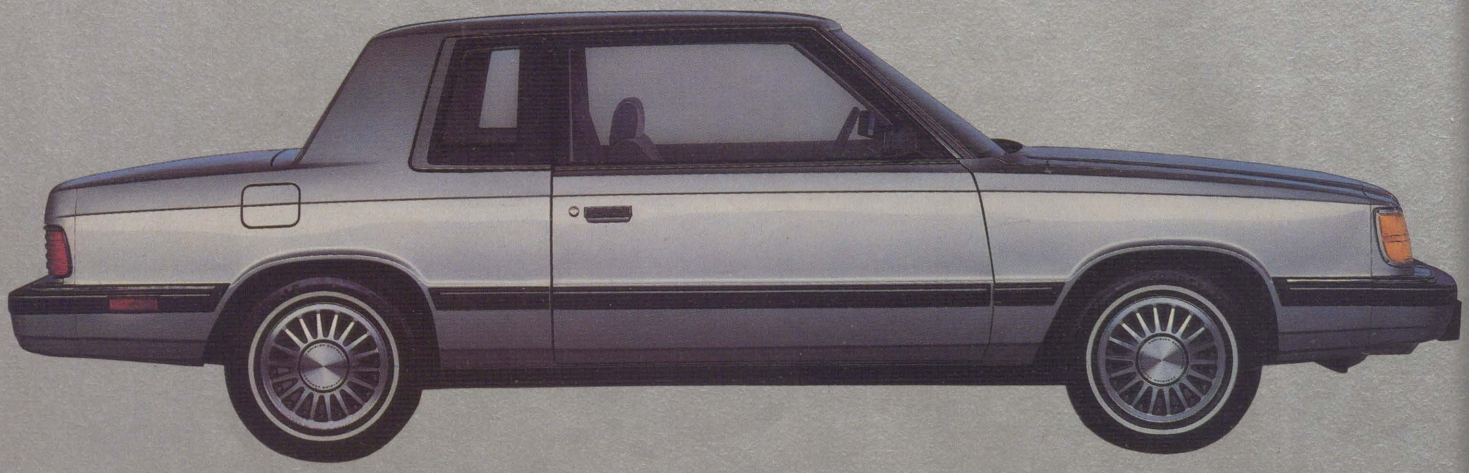
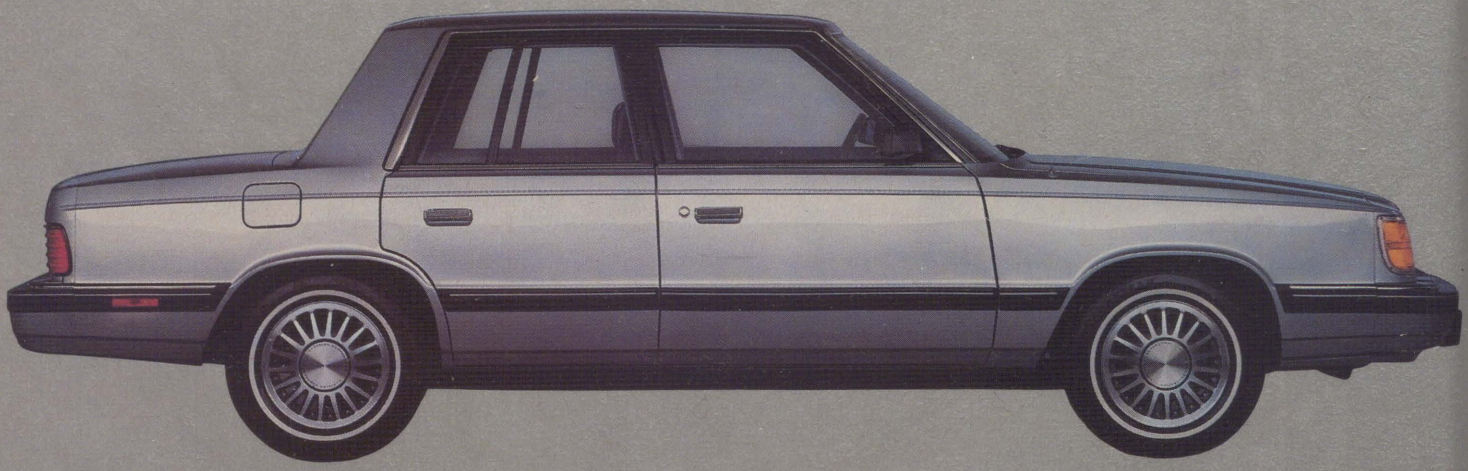
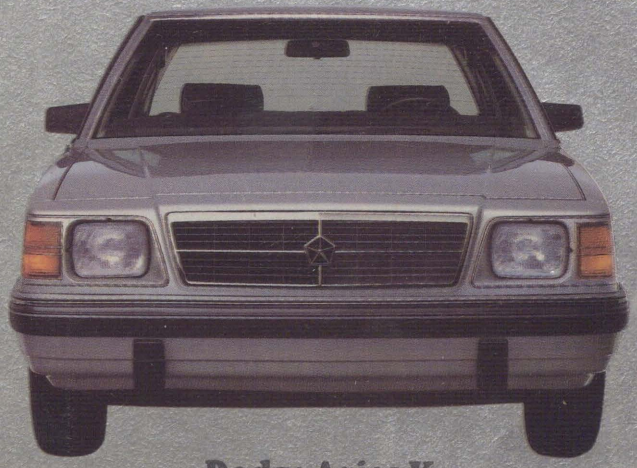
For 1985, we made the





best better. The K-cars.

Plymouth Reliant K



Dodge Aries K

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We give you the best built American cars.

Chrysler had the lowest percent of NHTSA safety recalls for '82 and '83 models designed and built in North America. In 1983 alone, the imports combined had more than 3 million recalls. American manufacturers had almost 2.9 million. Of the staggering 6 million cars and trucks recalled last year, less than 7,500 were Chrysler built, and only 416 of these were K-cars.†

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RICHARD KALVAR—MAGNUM

French family watches TV. Europeans will soon be getting choice of more channels.

America's Stake in Battle Over European Television

As broadcasting grows on the Continent, U.S. show business is in an excellent position to help fill the expanding bill.

A battle for the airwaves of Europe is now heating up with only one winner in prospect so far: The American entertainment industry.

As Western Europe prepares for rapid expansion of home electronic entertainment, governments and companies are vying to dominate an enterprise considered far more important than as just a moneymaker.

Channels entering homes on cable and from direct-broadcast satellites (DBS) will be cultural heralds of the signal-producing countries—in some cases reaching across borders and language barriers as never before. Thus, many Europeans worry that a rash of new programs will damage national traditions while introducing bad outside influences.

Cultural menace? In the eyes of many Europeans, the U.S. is the main threat, with an entertainment industry geared to sell many more shows than those already on regular TV in most countries. European critics often attack U.S.-made fare as trash and favor local productions—sometimes those with little audience appeal. Yet programs such as "Dallas" and "CHiPs" are popular, and more of that kind are expected when the new technology becomes available.

The first DBS system is scheduled to go on the air in 1985 or 1986, providing a variety of channels to several countries—not just within one nation as most TV stations do now.

Tiny Luxembourg is well along with plans to broadcast commercially sponsored shows directly to homes over a system called Coronet. The project is opposed by France, which favors its own DBS operation, and Eutelsat, the satellite-operating company of European postal ministries. Officials fear that Coronet could end state monopolies over TV broadcasting in countries such as France and West Germany.

Warns French Culture Minister Jack Lang: "Who will supply these programs? That is the real question. If there is no concerted thought and action on the European level, the answer is simple: We will be the passive consumers of standardized images produced elsewhere." Lang wants "our partners to set up a real European industry of programs. What is at stake is both industrial and cultural."

In Britain, commercial broadcasters have voluntarily limited to 14 percent the proportion of shows produced outside the European community, and other countries have similar restraints. Operators of cable and DBS systems, who will need hundreds of programs to fill their channels, are considered less likely to accept such limits.

The European Economic Community estimates the region will need up to 1.5 million hours of programs by the end of this decade, only a minute fraction of which are likely to be produced on the Continent and in Britain. The EEC's implication: Europe will be overwhelmed by the rush of material from America.

U.S. companies such as Home Box Office, Showtime/The Movie Channel and Cable News Network have been mentioned as possible participants in European TV ventures in addition to such producers as Lorimar that now supply programs.

Richard Wiley, former head of the Federal Communications Commission in the U.S., considers Europe ripe for expansion of the airwaves. "There's not much diversity now," he says. "In Britain, some programs—such as televising a violin lesson—tend to be fairly limited in mass appeal. People want something else, so more-entertaining shows like the ones America does well are popular."

Wiley predicts some governments will try to check the broadening range of programs—"That's why the East Germans built the wall: To keep ideas out. But people get around those barriers."

Opportunities vary. A few countries now are heavily wired for cable. The majority of homes in Belgium receive 16 cable channels or more in French, Flemish, Dutch, German and English.

Italy, on the other hand, has no cable systems but is saturated with 22 channels of regular stations operated by the government and private firms. Producers say there is such a variety of shows, from "The Jeffersons" to "The Dukes of Hazzard," that little demand is expected for cable or DBS.

Somewhat accidentally—because satellites have wide broadcasting ranges—the new technology is expected to have a big impact on Eastern Europe, where DBS signals may fall without invitation or compensation.

The prospect of electronic invasion worries Communist rulers, and they may try to jam direct broadcasts and arrest people caught watching Western programs. But there seems little doubt that productions that reflect non-Communist lifestyles will nevertheless be widely seen behind the Iron Curtain—with unpredictable consequences.

Clearly, experts say, the revolution in home communications will have great impact by providing Europeans with more opportunities to watch what they want, not just what culture ministries push.

"Some governments may not like it," says Wiley, "but the people are going to choose many programs purely for entertainment, including a lot of American shows. That's what is right—the individual should be able to choose for himself." □

World Business

A FRESH PERSPECTIVE FROM OVERSEAS

BONN • PARIS • TOKYO • OTTAWA • LONDON • GENEVA • NEW DELHI • PEKING

HARD SELL FOR U.S. SECURITIES

Big question mark hanging over U.S. moves to sell billions of dollars in U.S. Treasury securities to overseas investors: Will foreigners buy?

The American lure is tempting: It cancels a 30 percent withholding tax, guarantees high--but not absolute--anonymity for foreign buyers.

Treasury officials are pushing sales in talks with government and banking leaders abroad. Wall Street salesmen overseas do likewise.

Washington's hope: Purchases by foreigners will enable U.S. to sell securities at lower rates, reduce cost of carrying the federal debt.

Response? Lukewarm, so far. West Germans prefer Eurobonds' better guarantee of buyers' anonymity. But Tokyo's postal-service pension and life-insurance fund invested 75 million dollars in U.S. Treasury bonds in late August, could buy up to 100 million more in September auction.

A Canadian broker doubts cash is readily available "to be tapped."

Bonn's worries over competition led Bundesbank President Pöhl to urge an end to its own 25 percent withholding tax on foreign-held securities.

Complaint by Paris: U.S. move will raise cost of borrowing by others.

MIGRANT WAVE HITS EUROPE

To Western Europe's unemployment woes, add political refugees and border-violating migrants--similar to Mexicans who seek jobs in America.

Illegals from Asia, Africa, Mideast may number 1.5 million. Italy has some 600,000, Spain about half as many. Most refugees are from Iran.

Newcomers take posts that jobless Europeans refuse in low-pay, dirty or dangerous areas. Employers say late arrivals are highly motivated, work hard, ease labor shortages. But few pay taxes or welfare levies.

Illegals heat up the crisis in Western Europe where those without work already number 11 percent of the labor force. In the Netherlands, Spain, Ireland, Belgium, the figure is 15 to 20 percent. Stack that up against a more impressive August level of 7.5 percent unemployment in the U.S.

By next year, Western Europe's jobless may top 20 million. In France alone, for instance, Peugeot, the country's biggest private company, has government approval to cut 11,500 out of its work force of 135,000.

COSTS OF CREATING NEW JOBS

With jobs at stake, unions stand tough against efforts to rejuvenate industries. Britain's coal miners strike to protect slots. In Paris, Socialist rulers tried to rescue a bankrupt engineering firm, Creusot-Loire SA. Unions rejected the approach because it cut payrolls. So governments try to offset growing idleness with job-creating projects.

France decreed a cut in workweek to 39 hours. West Germany, Belgium, the Netherlands reached similar goal with union-management accords.

Part-time make-work aids youths. Early retirement prunes labor rolls. Job subsidies prop up ailing industries such as steel, shipyards. But

(over)

NO LABOR MIRACLE IN SIGHT

nothing works well. Shorter hours at full pay boost labor costs, and generous welfare systems make unemployment attractive. High minimum-pay scales discourage hiring of youths. As one expert points out:

"Real labor costs in major European countries rose 19 percent on average between 1973 and 1981. In America, they declined by 3 percent."

Fringe benefits spelled part of the difference. In West Germany and France, add-ons boost pay scales 80 percent; in Italy, 95 percent.

The expert's conclusion: Western Europe needs fewer regulations, lower taxes, more-flexible financial markets, less rigid labor controls if it aims for a U.S.-style "employment miracle" and healthier economies.

HIGH PRICE OF VOTES IN INDIA

As Americans debate their budget deficits, India's Prime Minister Gandhi offers this eye-opener on how to woo voters. Her fiscal levers:

Higher cash supplements for all government employes and pensioners.

Productivity bonuses equal to 32 days of pay for all railway workers.

Salary hikes for employes of banks, life-insurance corporations, government offices. Wage boosts for daily workers and farm laborers.

Pump 500 million dollars into imports of sugar and edible oils, thus lowering domestic prices. Cut tea exports so thirsty voters have more.

Increase prices paid to rice and wheat producers. Subsidize grain purchases by millers, thus help bakeries turn out lower-priced bread.

In a nation boasting the world's seventh-largest industrial economy, Gandhi hopes liberal handouts will offset religious and political strife that tarnishes preparations for general elections due by early 1985.

CIGARETTES ARE BIG BUSINESS

In China, cigarette smoking is the national pastime for males. The tobacco industry is big business. Statistics make the point--

Leaf-tobacco crop this year will hit a million metric tons or more, twice that of the U.S., the world's No. 2 grower. In a population of around 1 billion, 995 billion factory-made cigarettes will be smoked.

Peking's take includes 40 percent tax on leaf sales, 4.5 percent on factory charges and 35 to 66 percent of price that smokers pay per pack.

China is a massive market, but most outsiders get the cold shoulder. R.J. Reynolds, for instance, is in a joint venture to manufacture Camel-brand cigarettes for export. But it faces hurdles in trying to tap China's domestic market with another brand using locally grown tobacco.

U.S. is not alone in efforts to encourage users to "kick the habit."

Moscow curbs scenes in new films that depict smoking or drinking.

In Singapore, smoking is banned at official and social functions when Prime Minister Lee Kuan Yew, a nonuser, plans to attend.

Japan's state tobacco monopoly takes a middle road. Cigarette packs carry health warnings, but advertising budgets rise 20 percent a year.

The antitobacco campaigns--including high taxes--pay small dividends. When levies shoot up, smokers tend to roll their own or use snuff.

Rome's imposts hit 3 billion dollars a year. Result? Smugglers moved in, racked up profits in black markets by selling untaxed cigarettes.

Contradictions abound. Smoking declines in Britain, Malaysia. Swedes smoke more, as do Italians. All pay high taxes, see little advertising.

"We've Got to Attack" High Interest Rates

Economic development can't be sustained at today's cost of money, warns a top banker, who explains what steps are necessary to keep an uneven recovery on track.

Q. Mr. Butcher, do you look for today's high interest rates to bring a business slowdown, as many forecasters expect?

A The danger is that we overstay high rates and that this can have a very deleterious effect on sound economic policy. It tends to have more effect on long-term investment than on short-term speculation.

Q. Why the danger?

A Say you are a business manager and considering a new investment project. You are looking at a basic rate of interest of 15 percent in the U.S. today. That means that if you want to make 15 percent on the investment, you need prospects of a pretax rate of return of about 30 percent to make it worthwhile. There are not too many investments around like that. So what happens? You slow down the investment.

Q. Are you seeing such slowdowns already among clients?

A We've seen some signs that the buoyancy is subsiding. This recovery was far more buoyant than anyone expected, but it has been very uneven. It has been very fine in some of the high-tech areas; very fine in consumer durables, including automobiles; very fine in other consumer goods; not very good in capital goods, in modernizing plants for the future. That's why we're beginning to see signs that some industries are slowing down.

Q. With inflation cooled off, why are interest rates so high?

A There are a number of factors. One is an expectation issue: "Once burned, twice shy." The investor has been very, very badly burned by fixed-rate obligations of any length of time. Therefore, it is very hard to float 25 and 30-year fixed-rate money today.

Two, short term, there is the question of budget deficits. There is apprehension that the deficits will heat up inflation and worry that they will mop up some of the credit supply. If the government is floating 180 to 200 billion dollars of debt every year, that's a fairly big percentage of our savings.

And you say, "Well, O.K., we'll import the rest of the money." But the rest of the world is not without its deficit spending also.

Clearly, neither we nor the rest of the world have become immune to the level of interest rates.

Q. Looking to 1985, what do you see interest rates doing?

A I hope we will see rates somewhat lower over the next 12 months, if not in the immediate future. I hope this because it's going to be important to sustain economic development.

I think we get there by dealing with our budget deficit, by dealing with other elements that could be inflationary. I would hope labor settlements will be within a band that would not be inflationary. It also means that we have to add to production facilities to insure we don't run into short capacity.

Q. Are you saying that if interest rates continue at the 15 percent level and the deficit remains in the 180-to-200-billion-dollar level, the economy will slide into a recession?

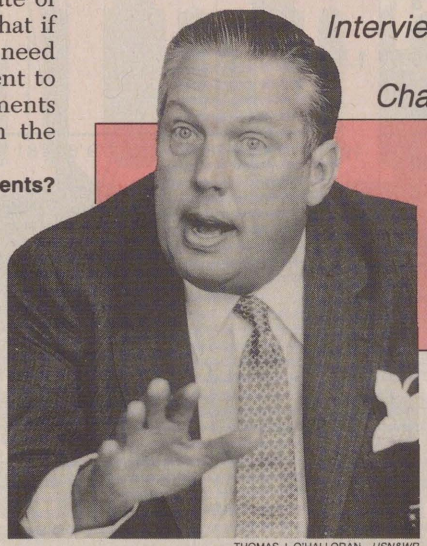
A I don't know that I see anything that dire. What I am saying is: I see an economy that long term will not sustain interest rates at this level and be a vital economy, that we risk having a lack of stability. Therefore, we've got to try and attack those things that are causing higher rates.

Q. Would you support a tax increase to narrow the deficit?

A I don't think that's primarily what got us into trouble. President Kennedy's taxes and spending were approximately 19 percent of gross national product. Even after the famous Reagan tax cuts, taxes are still 19 percent of GNP. The trouble is spending has risen to 24 or 25 percent. The culprit, therefore, is spending.

My concern is that higher taxes will turn the economy back down again. It won't give the incentive to add to productive capacity and competitiveness of the economy. To the extent that politically you have to have some tax increase to go along with spending cuts, I would hope that the tax increases will be primarily on the consumption and not on the income side. This would be the fairest type of taxation. You can exempt the poor from consumption taxes. Food can be exempted. Clothing under a certain price can be exempted.

Interview With Willard Butcher, Chairman, Chase Manhattan Bank



THOMAS J. O'HALLORAN—*USN&WR*

Willard Butcher, 57, succeeded David Rockefeller in 1981 as head of the nation's third largest bank. He has held a series of positions with the institution since 1947.

Q. Does that mean you would support a value-added tax?

A I would, to the extent that you have to raise additional revenue.

Q. What kind of spending would you cut?

A First, we've got to recognize that the poor and the disadvantaged need help. Our country should never turn its back on them. But a number of our so-called entitlement programs are entitlements for people who don't need them. They're a terribly expensive way of providing the middle class with a service. For example, I don't see why my future Social Security benefit necessarily should be tax-exempt. Why should it be? It's another form of pension.

I say to the young people in the bank: "Why should you pay for my pension out of your personal funds?" That's what we're talking about here.

Q. What do you think the next administration will do about the deficits?

A I don't really know. But my impression is that both parties recognize the need for deficit reduction. I share President Reagan's view that much of that effort has to come from a spending cut. I just hope Congress will cooperate.

Q. You sound rather worried about this recovery. Should the Federal Reserve ease up on credit now to help interest rates come down?

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A I don't want to appear too troubled. But the problems require the most excruciatingly careful pursuit of monetary policy on the part of the Fed.

I can't think of any person that I would rather see chairman of the Federal Reserve than Paul Volcker. He has done a very good job. But we have to recognize that it's a high-risk job.

How do you forecast the economy 12 months out with any degree of precision and thereby set interest-rate targets and monetary targets that will result in a desirable mix that won't unduly damage the economy? It's a very narrow and tortuous path.

Q All in all, the U.S. banking system has been taking quite a battering lately, what with Continental Illinois Bank nearly going under; fears about Financial Corporation of America, the savings and loan firm, and Third World debt problems. Can people still have confidence that their money is safe?

A Oh, yes. I don't think that's really an issue. If one looks at statistics relative to the system, it is somewhat stronger today than it was a year ago, and considerably stronger than it was in the mid-'70s. Nonperforming loans as a percentage of capital, or as a percentage of loans outstanding, are about half of what they were in the trough of the recession of the mid-'70s.

Capital itself has begun to increase. Our own capital ratios—a bank's capital measured against its loans outstanding—were around 4.8 percent a year and a half ago and are now very close to 6 percent.

Q But isn't the Third World debt problem still hanging over banks?

A I don't want to underestimate the Third World debt problem, which is probably the biggest threat to the system. But I also think we ought to recognize that there has been very, very concrete improvement in the Third World situation. Since the nadir in the autumn of 1982, we've seen a strategy put in place among the major players to cause readjustment to occur in the less-developed countries, primarily in Latin America. In Mexico, the progress has really been quite remarkable. Are they out of the woods? No, but they're well along on a path through the woods.

Brazil, with fits and starts, is now beginning to show very positive signs. If you take all of Latin America, the balance-of-trade deficit has now moved into surplus.

Argentina is the one country that seems to be creating most of the problem, but, there again, the fundamental economic issues are improved. Indeed, they've got cash in the Federal Reserve Bank of New York that has secured some obligations.

I am surprised that the perceptions of improvement have not been as real as the improvement itself. I don't think people understand how these countries have moved into surplus, how they are beginning to meet their debts properly and that progress has been made.

Q Can we expect more bank failures in this country on top of the large number we've already had this year?

A There will always be bank failures. But I do not expect to see anything as traumatic as the Continental issue.

Q What's behind the rash of failures?

A Let's face it, banks get into trouble primarily for one reason, and that's bad loans. When they reach a crisis, depositors sense it and run out.

Now, are there troubled assets in the banking system? Of course. Are our nonperforming loans up over the last several years? Yes. Why? One reason is obviously the Third World debt issue. Another is that we have some industries that are very, very troubled.

Q Because of the uneven recovery you referred to?

A You bet. Though the losses may not be as great as they were, the steel business isn't making any money. The nonferrous-metals business hasn't made any money in four years. The airline business's profitability has been extremely sketchy. The oil companies, even the most powerful and best managed, are earning half of what they were earning three or four years ago. So you have some very fundamental industries that are in trouble. And I don't see any early change.

Clearly, that's going to reflect itself on bank balance sheets. The issue is not whether there are problems. The issue is whether the problems can be dealt with. And I submit they can be.

Q Has deregulation by Washington caused the banking system to grow too fast, as some critics contend?

A Let's talk about where the deregulation is. When I joined the banking industry 37 years ago, banks had approximately two thirds of the financial resources of the country. Today they have less than a third. We've been growing far less rapidly than has the economy as a whole.

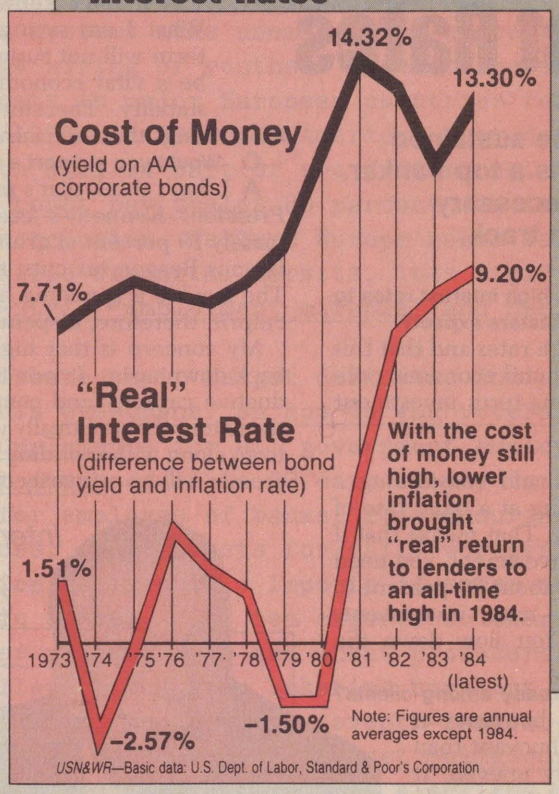
There aren't a great many more powers available to banks today than they had 20 years ago. Most of the deregulation to date has simply permitted banks to compete for their traditional funds. The earlier limitations on interest rates applied only to the banking system and meant we couldn't compete for deposits.

What happened was that a Merrill Lynch or another money fund would pay the fair rate, take a skim off the top and turn it over to a bank. That's a fairly inefficient way of mobilizing financial resources.

Q Many people feel that banks want you only to go to an automatic teller, and if you deposit a check from out of town, you have to wait three weeks to get at the money—

A We've reduced the time for a check to clear, but there's more to be done. On the automation issue, it's no question but that we're going to automate. Automatic tellers don't take lunch breaks on Friday between 12:30 and 1:30. They also tend to be more accurate. Is that less personal? Yes, it is. But many people don't want to pay for personal service. Discount stores grew because people wouldn't pay. They respond to lower prices. □

Two Ways of Viewing Interest Rates



USN&WR—Basic data: U.S. Dept. of Labor, Standard & Poor's Corporation

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United Way is there helping people help themselves.

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United Way

THANKS TO YOU IT WORKS FOR ALL OF US.

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MRS. JOYCE RIDE

MOTHER OF SCIENTIST AND ASTRONAUT, DR. SALLY RIDE

When Sally was very young, it didn't occur to us that she might become our country's first woman astronaut. A generation ago, when Sally was growing up, women were not even included in the astronaut program.

Today, with more than half of our workforce already made up of women, statistics project that nine out of 10 of today's girls are destined to work for 25 to 45 years. Two out of five women will be heads of households responsible for the survival of others.

Young women across the country are realizing that they can work in jobs that have traditionally been held by men. More and more women are working, outside the home, not only because they want to, but because they need to. Unless they acquire solid skills while they are in school, many will be condemned to lives of unfulfilled potential.

Math and science courses will open a wide range of career options for those who are prepared; many opportunities will be eliminated for those who aren't.

Let's all work to insure that girls and young women will be able to provide for themselves and for their families, if necessary, in whatever occupation they choose.

There are ways in which parents can help prepare their daughters for the careers of the future. One of the most important is to stimulate their interest in studying math and science along with the humanities in school.

Another way is to help educators become aware of sex-biased attitudes, assumptions and practices that may still exist in their schools. For example, some counselors and teachers still encourage boys, but not girls, to study computer science and to make extracurricular use of computer equipment. Yet understanding of computers and mathematics is essential in business, medicine, engineering, sciences, and almost every area of life.

We do not remember telling Sally that there was something she couldn't do simply because she was a girl (with the possible exception of playing shortstop for the Dodgers). She was fortunate to have a few teachers who recognized her ability in math and sciences. It was they who lit the spark that eventually sent her rocketing into space. **The sky is the limit for girls today. Let's be sure they're ready!**

Joyce Ride

If you would like to know more about how you can help prepare yourself or your daughter for the jobs of the future through equal education, please contact:

Peer
The Project on Equal Education Rights
A project of the NOW Legal Defense and Education Fund
1413 K Street NW
Ninth Floor
Washington, DC 20005

What Booming Dollar Says About U.S.

Uncle Sam's lively economy and global muscle stand to keep the greenback strong even if interest rates slip.

GENEVA

The dollar's amazing surge to historically high values in mid-September is no fluke. Nor is it likely to be a flash in the pan.

Contrary to popular opinion, the resiliency of U.S. currency is not rooted in either high interest rates or the federal budget deficit, but rather in the re-emergence of the United States as a nation with sound economic policies and strong political leadership.

These trends have been working in favor of the dollar since 1980 and are unlikely to be reversed in the near future. Thus, the dollar's vigor seems sure to persist even in the face of falling rates.

"Dollar prospects are bright," says Mathis Cabiallavetta, a Zurich banker, because U.S. policies are promoting business expansion while a divided Europe stumbles.

Over the past three years, the financial markets have shrugged off repeated warnings that the dollar was on its way down. In early September, the dollar again defied conventional wisdom and soared to new heights.

Then and now. On September 9, a single dollar bill could buy 3 West German marks, compared with 1.7 marks in July, 1980, or 9 French francs, more than double the number five years ago. The British pound, which was worth $2.39 just four years ago, hit a low of $1.27, while the Swiss franc and the Japanese yen lost ground as well.

Why does the dollar keep gaining purchasing power? After all, forecasts from both sides of the Atlantic maintain that the dollar must weaken in the face of mushrooming U.S. trade deficits.

Larger deficits mean that more dollars circulate abroad. At some point, experts argue, the nerve of foreign investors will crack, and market sentiment will swing away from the dollar.

Many hold the view that the dollar will stay up only as long as interest rates in the U.S. remain high. But history suggests that political and economic stability outweighs interest rates alone.

For instance, yields in Switzerland have always been lower than those offered in France and Britain. Yet money continues to flow into the Alpine country, lured by its gilt-edged reputation as a safe haven.

Nor did relatively high U.S. rates in the late '70s shore up the dollar. Vietnam and inflation cast doubts on the country's future, leading to a massive run from dollars to other currencies, gold, commodities and real estate.

The dollar's robustness can be viewed as a European and Asian vote of confidence in the fiscal policies of the Reagan administration and the anti-inflation fight waged by Paul Volcker, chairman of the Federal Reserve Board.

Stimulant for recovery. The recent tax cuts and moves to deregulate business have created a more favorable climate for business and employment growth, while tight monetary policies have been keeping inflation low.

"America has re-emerged as a nation with sound money and a much more dynamic economy than Europe," says John Lademann of Zurich's Bank Leu.

Moreover, experts here conclude that the U.S. economy will continue to expand much faster than the economies of other industrial nations in the years ahead. To catch up with the U.S., Europe must cut wages and take other austerity measures in order to tame inflation, boost profitability and spur innovation—a process that will require five to 10 years. During that adjustment period, foreign funds will keep flowing to the U.S., bolstering the dollar.

Meanwhile, the worldwide political scene has changed. The Soviet invasion of Afghanistan, the Polish crisis and a renewed arms race between the superpowers have had a profound impact on investors' attitudes. The powerful defense machinery of the U.S. has been rediscovered and works as a magnet for foreign funds seeking a safe haven, while West Germany's border with the Soviet empire frightens investors away.

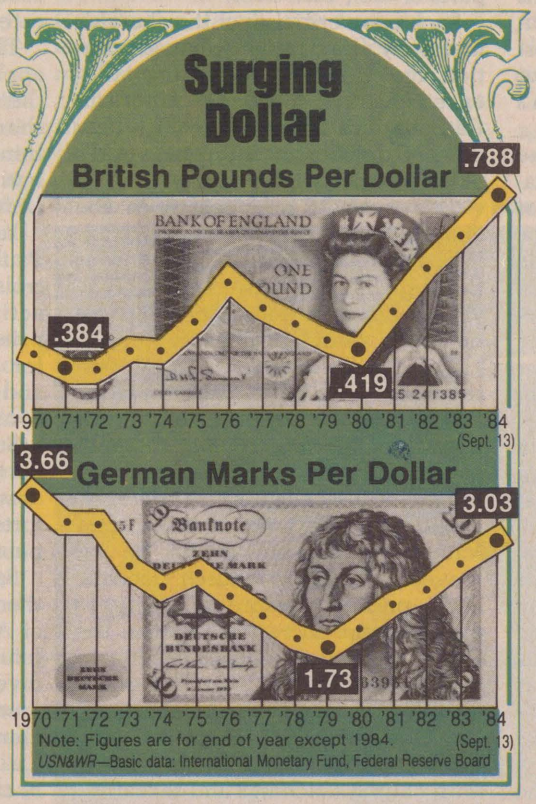
Even if U.S. interest rates do fall, it is doubtful that the dollar will do more than decline slightly. European governments are quick to match any fall in U.S. rates in order to keep the dollar strong and boost American demand for cheaper foreign goods.

Then, too, if Washington does take firm steps to reduce the budget deficit, interest rates are expected to fall but the dollar could grow stronger yet. A smaller deficit would lessen the prospects that the U.S. recovery will be choked by steep borrowing costs.

Adverse effects. To be sure, the high dollar is not a blessing for everyone. U.S. manufacturers are encountering stiff competition both at home and abroad. Heavy demand for imports has pushed America's trade balance deep into the red. The debts of developing nations such as Mexico and Argentina are denominated in dollars, so that increases in the dollar's exchange value mean those loans will be harder to repay.

However, in the long run, a healthy dollar is a boon rather than a bane to the U.S. and the rest of the world. A highly valued dollar presses U.S. companies to control costs and become more productive, helping to keep the lid on inflation.

More important, a strong dollar inspires economic confidence around the globe. Rudolf Herlt, a German currency analyst, recalls that a weak, inflation-plagued dollar contributed to a severe worldwide crisis in the early 1980s. "The international monetary system is only as good as its leading currency," says Herlt. "It is time to make peace with the powerful dollar." □



By ALFRED ZANKER

Analysis

Vatican's Drive To Curb Dissent In the West

From abortion to married priests, many Catholics' opinions are out of step with those of Rome.

STEVE PYLE—CANADIAN PRESS

The Pope with Canadian Indians. Behind his travels: A push for church unity.

Millions jammed stadiums to hear him, lined streets to catch a glimpse or simply watched on TV. But in the midst of a grueling 12-day Canadian tour, Pope John Paul II may well be asking: Are they *really* with me?

In Canada, as in the 22 other foreign countries visited by the 64-year-old Pontiff, his personal charisma and calls for social and economic justice cheered groups from the elderly and the handicapped to needy fishermen.

Yet for a Pope who has made it his personal mission to uphold traditional doctrine in a church buffeted by change, recent developments in Canada and the U.S. had to be disturbing.

While he cautioned women in Montreal not to be tempted by the "illusions" of the modern world, feminist Catholics urged a wider role for women in the church and protested its bans on abortion and divorce. Polls by Montreal newspapers showed that most Catholics in Quebec Province—like those in the U.S.—oppose the church's prohibition of contraceptives.

Public debate. During the same week that John Paul urged the Canadian clergy to confront "a crisis of values" in a "materialistic" society, three prominent Catholic lay people in the U.S.—Geraldine Ferraro, Mario Cuomo and Edward Kennedy—were openly questioning the views of Catholic bishops.

Democratic vice-presidential candidate Ferraro "agreed to disagree" with Archbishop John O'Connor of New York City, who had criticized her for implying in a 1982 letter that there is leeway in the church's position on abortion. After a phone call to O'Connor, Ferraro, whose prochoice stance draws a band of anti-abortion protesters everywhere she goes, said she understood that the "Catholic Church's position on abortion is monolithic, but I do believe that there are a lot of Catholics who do not share the view of the Catholic Church."

Governor Cuomo of New York, who also clashed with O'Connor over abortion, told a University of Notre Dame audience September 13 that Catholics should not impose their values on others because the price of doing so "is that they might someday force theirs on us." Having failed to convince society through teaching and example that abortion is wrong, added Cuomo, Catholics seem to be relying on government to make it criminal.

Senator Kennedy of Massachusetts joined the fray, too, noting that Ferraro and Cuomo could agree with the archbishop's morality "without seeking to deny the freedom of others to control the uniquely personal parts of their own lives."

Such open criticism of the church's hierarchy was a rarity even a generation ago. But with increasing affluence and education, North American Catholics are trying to inject a new dose of democracy into the world's oldest authoritarian body.

"It's a whole new season in the church," says Msgr. Joseph Gremillion, a former Vatican official now at the University of Notre Dame. "The views of bishops and theologians are no longer automatically accepted."

The change does not sit well with the Polish-born Pontiff, who in October begins the seventh year of his pontificate. Convinced that the faith of Catholics in the West has been eroded by a secular culture and dubious ideas in the wake of the Second Vatican Council of 1962-65, he has moved to reaffirm church doctrine and is putting pressure on bishops to do the same. In recent months, the Pope and Vatican officials have—

- Reiterated the church's stand against contraceptives and abortion.
- Ordered U.S. bishops to withdraw approval of two books dealing with church teachings and sexuality.
- Continued investigations of U.S. seminaries and women's orders.
- Praised priestly celibacy and admonished bishops not to encourage talk of women priests.
- Launched inquiries into the ideas of liberal bishops and theologians.

Too close to Marxism? The latest move was an early-September statement criticizing "liberation theology," a concept embraced by many of the clergy in Latin America. Its proponents call for the church to work to improve the social and economic conditions of the poor—not just tend to their souls. The danger, says the Vatican, is that the approach often relies on Marxist theory and advocates violence and class struggle.

These and other Vatican steps are applauded by many. "In many ways, the Catholic Church in the West is in shambles, with every little unit thinking it is a church unto itself," says Msgr. George Kelly, a St. John's University sociologist.

Yet for every group that backs John Paul, another bristles at Rome's controls. In both the U.S. and Canada, active movements—supported by priests, nuns and theologians—argue for women priests, married clergy and more-permissive stands on birth control, abortion and homosexuality.

Such dissent no doubt will continue to dog the Pope, even while he draws widespread praise for his efforts on behalf of world peace, the poor and workers' rights.

Says the Rev. Charles Curran, a theologian at the Catholic University of America: "A very central issue of John Paul's pontificate is how much diversity do you permit and how much authority do you give to local churches and still have unity?"

By LAWRENCE D. MALONEY

Sanctuary: Churches' Way To Protest

Hundreds of illegal aliens look to congregations in the U.S. for shelter, job assistance and legal advice.

Defying the Reagan administration, churches nationwide are deliberately breaking U.S. laws by giving sanctuary to Central Americans who enter the country illegally.

Congregations that have remained quiet on most social issues have been putting up these families in basements and spare rooms, finding them jobs and telling them how to avoid deportation.

Since this modern-day underground railroad surfaced in 1982, about 160 churches and synagogues have joined the movement, primarily to protest U.S. policy in Central America.

Federal agents, however, have declined to invade the churches to arrest the immigrants—even when tipped off by the churches themselves.

"No one wants to create martyrs," comments Elliott Abrams, assistant secretary of state for human rights and humanitarian affairs. "We are not going to look for people, but we are trying to persuade Americans not to engage in gratuitous lawbreaking."

Stirring up this new church-state conflict has been the influx of tens of thousands of Salvadorans since 1981, at a time when the U.S.-backed regime in El Salvador is trying to put down a left-wing rebellion. Church groups argue that they must provide sanctuary to refugees who would face persecution if they were sent back home.

California hospitality. Pico Rivera United Methodist Church, outside Los Angeles, has a mostly blue-collar congregation of 86 members that has sheltered 34 Central American families. Two Sunday-school rooms have been turned into living quarters where families that have included newborn babies stay anywhere from one day to three months. Church members help their guests learn about the bus system, find jobs and get resettled.

At St. Michael's Episcopal Chapel in Piscataway, N.J., a basement library has been renovated into living space for a family that receives food, medical and dental care and English lessons in exchange for work around the church.

Since December, 1982, some 1,600 persons have passed through Casa Oscar Romero, a Roman Catholic way station in San Benito, Tex. Most stay eight to 10 days until they can make contact with relatives. They are fed, sheltered and advised of their legal rights. "We have not called it sanctuary, but we are trying to do what the church has always done in serving people who come to this country with nothing but shirts on their backs," explains Hernan Gonzalez of the Diocese of Brownsville.

Sponsoring churches find their congregations more energized. "A deep solidarity developed between our congregation and the refugees," says the Rev. Michael McConnell, a member of the Wellington Avenue United Church of Christ in Chicago. "It actually attracted people to the church." Adds Rabbi Charles Feinberg of Beth Israel Center in Madison, Wis., "You separate all the geopolitical rhetoric and see them as people who need help."

The movement went public in March, 1982, when Tucson's Southside Presbyterian Church started to shelter Salvadorans who made it across the Mexican border. The pastor, the Rev. John Fife, and others helped organize a nationwide church network that has harbored 500 Salvadorans, many of whom speak publicly of atrocities in their homeland. "We are at risk, but there's an even greater risk for the refugees," says Fife. "Their lives are at stake."

One of the most publicized sanctuary efforts was earlier this year, when a Guatemalan family was brought in a convoy from Chicago to a Benedictine monastery at Weston, Vt.

Those in the movement point out that the use of churches as havens for the oppressed is a Judeo-Christian tradition observed in British law but not mentioned at all in U.S. codes. Many sanctuary workers say that they are ready to face the $2,000 fine and five years in prison if convicted of assisting an illegal alien.

Yet the only ones arrested so far have been those found with illegal immigrants in their cars during routine road checks. For example, Stacey Lynn Merkt of Casa Romero was convicted in June of conspiracy to transport illegal aliens and sentenced to two years' probation. Jack Elder, director of the Texas center, is awaiting trial.

Government is target. A major goal of the movement is to lessen U.S. involvement in Central America. "I want the public to fully think through our policies in Central America," says John Steinbruck, pastor of Luther Place Memorial Church in Washington, D.C.

The Reagan administration says that sheltering people who entered the country illegally is the wrong way to influence policy. Observes Assistant Secretary Abrams: "Some groups are not using lawbreaking as a last resort but as a first resort."

Verne Jervis of the Immigration and Naturalization Service says churches would be better off helping aliens apply for legal asylum, although he maintains that most Salvadorans come to the U.S. for economic reasons rather than as a result of political repression.

Despite such criticism, the sanctuary drive appears to be gaining strength—just one more example of the growing church-and-state struggles in this election year. □

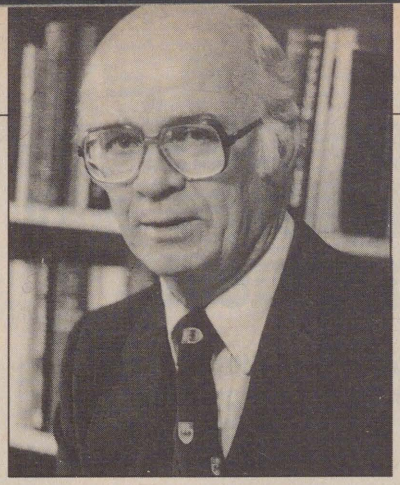
By MICHAEL DOAN with the magazine's domestic bureaus

Masks shield identity of Salvadoran family now living in Piscataway, N.J., church.

SCOTT THODE—USN&WR

A Conversation With the Rev. Martin Marty

"We've Screened Out the Reality of Religion in Society"



Martin Marty is a leading authority on religion in America and a professor of history at the University of Chicago. The author of more than 30 books, he received the National Book Award in 1972 for *Righteous Empire.* His most recent work is *Pilgrims in Their Own Land: 500 Years of Religion in America.*

Spiritual forces in America's consciousness

Every society tends to live by a small number of very broad ideas, about which most citizens may not even be conscious because they are so deeply embedded.

From the Bible, Americans down through the years have gotten several notions: That we are a nation under God, that God planned a mission for us. We also draw from the Bible the idea that God is concerned with a transcendent justice that holds sway over all causes, all parties, all nations, including our own.

A second spiritual force shaping our society comes from the founders of the nation—the religion of the Enlightenment. Most of the Founding Fathers didn't believe in a personal God—the God of the Bible—although they respected people who did, respected Jesus for His morals and were often church members. Theirs was a religion of Natural Rights, Natural Reason, Natural Law. They believed that any right-thinking, well-meaning person of conscience would come to see these universal truths—that all men are created equal and have the right to life, liberty and the pursuit of happiness.

"The Christian right is looking for power"

The Founding Fathers did a very significant thing in separating the realms of church and state. This meant that churches would have to rely on persuasion to influence society, and time and again through our history church leaders have tried to affect social policies—from abolishing slavery to prohibiting liquor.

Episcopal, Presbyterian, Lutheran and other mainline Protestant churches, as well as Catholics and Jews, have regularly called upon their Biblical faith to influence American life. They reason that if one does not speak out publicly and relies solely on changing individuals, the culture can in the meantime become so corrupt and dominating that there's not much you can do. Recently, fundamentalists such as the Moral Majority have come to the same conclusion, which helps explain why a group that once considered activism sinful is now so vocal on such issues as family life, pornography, abortion.

Having seen blacks, Hispanics, women, homosexuals and other groups come to the fore in the '60s, the Christian right is looking for power. They see themselves as the custodians of the old American values. They have this nostalgic image of the America of the little red schoolhouse and the little white church. America, they feel, changed the textbooks to please blacks and Jews by taking out "Little Black Sambo" and "The Merchant of Venice" but was insensitive to what offended the fundamentalists.

Coercion can backfire

Every religious impulse can bring both good and bad. The Christian right struck a responsive chord in the wider society—including the intellectual community—about the importance of family, neighborhood and tradition. The activism of the Moral Majority or any other religious group becomes harmful, though, when it relies on coercion rather than persuasion to bring about change. This can invite a backlash against religion. Religious groups can also break down into tight factions that talk only to their own kind and have a theology that says, "You're really a full citizen only if you agree with us."

We tend to underestimate the power of religion in people's lives, because for many years in America religion had become a private affair. Thus, we were caught off guard by the Islamic revolution in Iran and by religious warfare in other nations. I do not believe in turning schools into churches, but our children would be well served by courses teaching about the role of religion in human life. Schools should teach reality, and media should cover reality; yet we've largely screened out the reality of religion in society. A youngster can watch 15 years of children's TV and learn about the mailperson and the grocer but never see a rabbi, monk or minister.

Young people: Religion's "next frontier"

The group I would regard as the next frontier for religion is that huge class of young adults—the high-rise, high-tech people—who devote tremendous energies to their careers and take the pressure off through a kind of hedonism. There are religious stirrings among them, yet few are attracted to established churches. This group and millions of other Americans are likely to pursue religion entirely privately, which can be a fine expression of personal freedom but a problem when it comes to reaching people and reforming society.

Some groups "have this nostalgic image of the America of the little red schoolhouse and the little white church."

TIMOTHY A. MURPHY—USN&WR

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2400 N Street, N.W.
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EXPANSION OUTLAYS SURGING

Capital spending plays a growing role in keeping the economy spry.

Outlays for new plant and equipment this year will top those of 1983 by 13.3 percent, after adjustment for inflation. That's the finding of a fresh poll of companies by the Department of Commerce.

Investments for expansion and modernization had been among the dullest parts of the business picture. They fell 3.6 percent last year and 6.3 percent in 1982. Their previous gain, in 1981, was only 0.1 percent.

Manufacturers are especially bullish. They think their capital spending will grow 15 percent this year. In a similar poll taken in April and May, they expected a gain of 13.8 percent.

Mining industries, however, now figure to spend 14.4 percent more, not 22 percent as they anticipated last spring. Airlines and electric utilities foresee outright dips even before adjustment for inflation.

The 1,000 largest manufacturers increased capital spending in each of the past three quarters. That followed six quarters of declines.

The outlook is good for continued expansion by the corporate giants. Their capital appropriations this spring hit a new high, according to business researchers at the Conference Board. Auto makers led the way.

Growth in capacity will quicken through 1986, analysts at Cigna say.

FACTORIES OF FUTURE NOW HERE

Much of manufacturers' spending is going into futuristic factories.

Robots and flexible production systems dominated the huge International Machine Tool Show in Chicago, September 5-13. On the way out are assembly lines on which workers bend over dirty, noisy machines.

Instead, factory workers will sit at computer terminals in air-conditioned offices. They will monitor tireless, precise robots loading machines that can be swiftly converted to make different parts.

Advanced machinery for such plants crammed the show. New devices to form and cut metal employ magnetism, ultrasonics and laser beams.

Converting to high-tech manufacturing is not cheap. A small firm must pay several hundred thousand dollars. A factory like General Electric's ultramodern locomotive plant in Erie, Pa., costs hundreds of millions.

The big motivator: Competition from robot-run factories abroad.

INDUSTRIAL OUTPUT INCHES UP

Manufacturers are holding a tight rein on production. Output rose just 0.2 percent in August, the smallest increase in nine months.

Shoppers, too, are wary. Retail sales fell 0.8 percent in August and 2 percent in July. Even so, consumer debt soared 7.1 billion dollars in July--slower than recent growth but still the third biggest gain ever.

Sales of U.S.-made cars boomed in early September.

New models sparked interest, and strike fears caused rush buying. But

(over)

the 9-million-unit annual pace, up 17.5 percent from the overall August level and 24 percent from a year ago, is considered an aberration.

PRODUCERS' PRICES STILL FLAT

Modest wholesale price increases are easing pressure for retail boosts. The latest reading: A drop of 0.1 percent in August in the producer price index. The annual rise so far in 1984 is just 2.4 percent.

A federal embargo imposed September 13 on citrus shipments from Florida because of an outbreak of plant disease could spell trouble ahead.

Inflation will remain in check next year. That's the consensus of leading forecasters polled this month by Eggert Economic Enterprises.

Main reasons: Stability in oil and food prices and moderation of wage gains. What factors might make inflation flare up? Weakening of the dollar and whopping federal deficits were mentioned most often.

SHAKEOUT SEEN FOR BIOTECHS

A big shakeout is coming in biotechnology firms, a study by Arthur D. Little, Inc., predicts. Many small companies developing recombinant DNA are seen running out of cash before their products are ready for market.

Venture capital is a one-time thing for most firms with two-to-five-year funding. The study adds: Investors are souring on stock offerings and limited partnerships in research and development.

What will happen to the 250 to 300 biotech firms in the U.S.? Many are expected to be acquired by large pharmaceutical and scientific firms.

"The research already done is too valuable for companies to just disappear," consultant Patricia Berkley maintains.

The domestic travel industry is enjoying a pickup in business this year, but the gains are falling short of what was expected.

Receipts so far are running about 11 percent ahead of 1983.

Experts at a meeting in Dallas of the Travel Industry Association of America say people are diverting more cash to cars, other durable goods.

A strong dollar sends more Americans abroad in search of bargains.

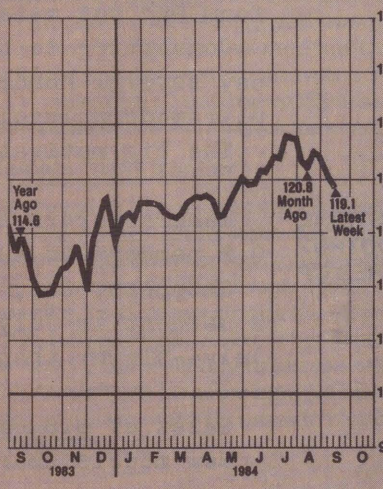
Our index of business activity turned down for the third week in a row.

Plus & Minus

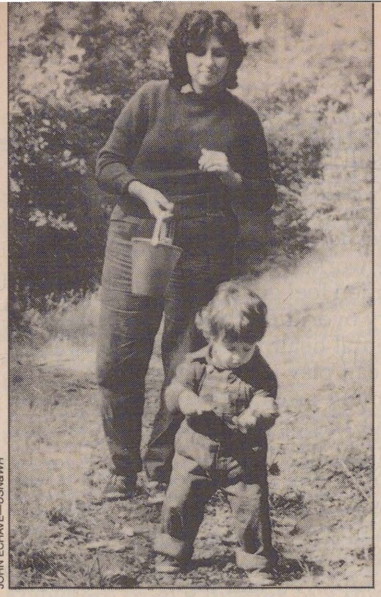
USN&WR WEEKLY INDEX OF BUSINESS ACTIVITY

WEEKLY INDICATORS (1967=100)*	Year Ago	Month Ago	Week Ended Sept. 1	Week Ended Sept. 8
Composite Index†	114.6	120.8	120.2r	119.1
Steel production	69.2	70.9	64.2	65.1
Auto production	93.8	120.0	107.6	102.1
Crude-petroleum production	99.4	99.3	99.5	100.5
Electric-power production	202.5	201.1	204.1	197.9
Lumber production	90.5	123.0	144.5	144.5
Freight carloadings (misc. mdse.)	63.0	66.1	64.8	68.8

MONTHLY INDICATORS (1967=100)	Year Ago	Month Ago	Latest	For
Consumer prices, goods and services	299.3	310.7	311.7	July
Producer prices, finished goods	286.1	292.6	291.8	August
Industrial production*	151.8	165.8	166.2	August
Retail-store sales*	402.6	438.9	435.1	August
Civilian employment*	136.5	141.7	141.1	August



*Seasonally adjusted. r—revised.
† Includes, besides the six series listed, production of trucks, bituminous coal and paperboard.



JOHN ECHAVE—USN&WR

How to Raise Kids Right—Advice From 5 Experts

Am I doing a good enough job raising my child? It's a question that has been asked since the beginning of time but perhaps no more so than today.

Parents in busy two-career families wonder whether children are getting lost in the shuffle. Many fret over picking day-care centers or wonder whether it is right to put youngsters in such facilities at all.

With smaller families, some couples are creating "gourmet babies" by showering them with goods and services—or pushing education well before kindergarten.

What's right and what's wrong with the way Americans raise children today? For the answers, *U.S.News & World Report* turned to five of the nation's top experts on child rearing and early education.

Don't Make Kids Grow Up Too Fast

Louise Bates Ames, Cofounder, Gesell Institute of Human Development

Parents are trying hard to do a good job, but they have a tougher time of it than those who were raising children a generation or two ago. With the breakup of the extended family and the great mobility of our society, many young parents simply do not have the support from grandparents and others that was the case in the past.

The most common mistake parents make is not understanding what children are like at different stages of development and therefore expecting too much. Fathers often do this more than mothers. They say: "It's time that he was toilet-trained" or "It's time that he fed himself."

If parents would familiarize themselves with the wide literature on child rearing available to them, they would realize that it is typical for an 18-month-old to say "No" to whatever you tell her, that a 30-month-old will tend to do just the opposite of what you indicate is your wish and that a 4-year-old glories in being wild, profane, funny or boasting.

Some parents also fall victim to the notion that everything is all over at age 3. They worry terribly about whether they are exposing youngsters to enough education. They are the ones who are buying those books on how to raise a child's IQ or on how to teach a baby math or the violin. All this is not so much harmful as it is ridiculous because children will naturally turn off to things that don't hold their interest. They will simply wiggle away. Of course, you should certainly read to preschoolers, do little puzzles with them and the like. But be sure that it is their interest and not yours that is behind the activity.

The danger comes when children get a little older and can detect your disappointment when they don't measure up to your high expectations. Some kindergartens now offer what almost amounts to a first-grade curriculum, which can be very harmful. Unlike the home situation, the child cannot run away from the pressure. He's a captive, and if he is required to do something he can't do, he gets a very early dose of failure and perceives school as a difficult and terrible place. You run the risk of turning a child off education. It is the same with preschools. Parents should avoid ones that put too much stress on academics. They should be a place for play and socialization.

I'm sorry for people who want to force their kids to grow up too fast, because children today are under enough pressure already. That is particularly true of those being raised by a single parent. We have been remiss in not speaking out enough on how tough it is for a person to raise children without the help of a mate. It is hard physically and emotionally to do all the work alone.

Children Are Social Creatures

Bettye Caldwell, Professor of Education, University of Arkansas At Little Rock

The main thing a good preschool program has that the average home doesn't is other children. They can be very powerful stimuli. Children naturally tune in to each other. They challenge and make demands of each other in a way that adults can't. The young child is a very social creature, but we haven't realized that fully in our society, where we have tended to put too much emphasis on the nuclear family.

Good preschool programs also offer a full array of teaching-learning materials. Even the wealthiest homes can't have all the books, puzzles and exercise equipment that young children like. Quality preschools also have loving adults who are attuned to the responses of children and give them a great deal of attention. In the average home, the child has to share the attention of the mother, who is distracted by housework, shopping and other tasks.

As for the mix of play and academic learning in a preschool, a child's play is full of academic learning—though we perhaps don't realize it. When a teacher says, "Let's go

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on the big slide, not the little one," we don't see that as a lesson in math, but it is. Preschool teachers can make children think without pressuring them simply by asking questions and stimulating their imagination.

There are a lot of people in early education who feel that the child must always take the lead, but I know of children who would do the same thing every day if not occasionally enticed to do something else. So I feel that we definitely need teachers who subtly and cleverly inject new materials and new levels of activity into the child's play and work.

One of the big questions, of course, is evaluating day-care centers. I get just as upset when people say that the situation is all rosy as I do when they characterize the day-care situation as a snakepit. We have yet to develop a good monitoring system for preschool programs. A basic question to ask is whether the center or home is licensed or registered by the state. That gives you some assurance that there has been at least some attempt to develop a quality program.

Beginning next year, there will be another check parents can look for. The organization that I now head, the National Association for the Education of Young Children, will start accrediting quality day-care centers. In effect, we will be saying: "Here is a program that clearly tries to meet what the field of early-childhood education says are quality standards."

It is difficult to give a minimum age for a child's entry into day care. It used to be that nursery schools and preschools would not take a child below the age of 3, but now the biggest need seems to be for facilities that will take children who are only 1 or 2 years old. Some centers accept children as young as 6 weeks old, although I personally do not favor having infants that young in any kind of child care outside the home. I would say 6 to 10 months is really the very earliest to enter a child into a group, and I would prefer waiting to about 1 year of age. The child develops a primary attachment to the parents within the first 6 months of life, and it's good to keep children in the home setting during that period.

Banish the Guilt Feelings

Sandra Scarr, Commonwealth Professor Of Psychology, University of Virginia

Some people look back fondly at the 1950s, when a far higher percentage of women were still full-time mothers and children were more closely supervised. I don't share that nostalgia. It seems to me that young children now have a much more enriched experience. They are much more likely to be in some kind of preschool program, to be exposed to educational television, and are far less likely to be kept isolated from adults and other children. They've acquired much more knowledge. We know that from intelligence tests. Nor is there any real evidence that young children suffer at all from being in part-time child care. Indeed, they may benefit from such experiences. That was the conclusion of a report issued last year by the National Academy of Sciences, which looked at single-parent families and families in which both parents work.

So mothers should not feel guilty about returning to work while their children are still babies. In fact, if a mother is going to be frustrated and depressed at home and longs to return to her career, I can guarantee you, from studies done on women and depression, that she won't do as good a job as a qualified day-care worker will.

The reason working women feel guilty is because of all the propaganda in this century over the extreme importance of mothers for children's mental health. We have downplayed fathers and the role they can play in their children's development. Now we are coming around to a more balanced view that both parents have responsibility for child care and for arranging care when they are at work.

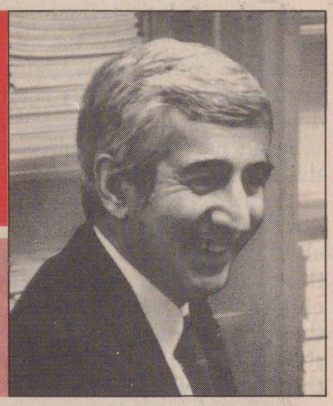
One of the advantages of having both parents work is that boys and girls grow up with the idea that both men and women are considered competent by the larger world. Research out of the University of Michigan also shows that girls with mothers who were employed had higher self-esteem, got better grades in school and were better adjusted than the daughters of mothers who stayed home full time.

No doubt it can be a big juggling act for working couples to pursue careers and tend to children, but time-use studies show that mothers who are employed spend just as much time in direct contact with their children—really interacting with them—as do full-time homemakers. After all, mothers at home also are spending time cleaning, shopping, visiting friends, managing the household.

When it comes to choosing a child-care facility, the main task is to find one that will provide sensitive care attuned to the individual needs of your child. If your child is going to spend 2,000 hours a year in a center, it pays to go and spend a little time observing what goes on. Among the things to look for: Babies ought to be picked up frequently and held. During mealtimes, they should receive stimulation from care givers and not be fed in a mechanical way. There ought to be times every day when preschool children are read to and have access to art materials. And they should have ample opportunity to go outside and play.

Discipline is extraordinarily important for children, but by this I mean good behavioral management, not harsh punishment. Through positive reinforcement—rewarding good behavior—parents can shore up what they think is desirable and reduce the frequency of objectionable habits. Physical punishment is rarely appropriate. One of the few exceptions might be to impress on a child the importance of avoiding a serious physical threat, such as running into the street or sticking a finger into an electrical socket.

Children Need "Irrational Love"



Burton White, Director, Center for Parent Education

There have been substantial gains since the mid-'60s in knowledge on how to raise children, but parents still fall victim to mistakes, often because they accept the myths surrounding child rearing.

One of those myths is that, if you're a normal woman, you

ought to be able to raise any number of healthy children, regardless of how close in age they are.

Since our center does extensive research on families in their own homes, we see that one of the biggest sources of grief is aggressive actions from a slightly older child toward the baby. Now, that's not been talked about very much in public or in professional circles. Yet that behavior is normal. After all, a toddler whose whole world has revolved around his parents now has to share the limelight. Suddenly a delightful creature turns into someone who chronically has his nose out of joint.

What we've found is that if the spacing of children is three years or more, the climate in the home will be much better. Studies also show that achievement scores are higher in homes where children are spaced in such a way.

Another mistake parents make is a lack of awareness about the widespread learning difficulties that result from moderate hearing losses during the first two years of life. Anywhere from a quarter to a third of children repeatedly undergo hearing losses of a moderate kind during those years because of respiratory ailments and allergic reactions that produce congestion in the auditory system. Some pediatricians still don't take these problems seriously enough. Such illnesses do not always cause permanent hearing damage, but at the very least the child is deprived of learning opportunities during the sickness simply because he can't interact well with parents.

We also see the tendency on the part of some parents to restrict children too much. When children get to be about 7 months of age, they enter into a magical 13-week period, roughly speaking, where they complete the mastery of their bodies—sitting, crawling, standing, walking and climbing.

Yet parents worry about the falls that take place or the accidental poisonings that can occur when roaming youngsters get into cupboards. So the tendency is to want to confine the child in a playpen, crib or jump seat. But in homes where we watched children move ahead beautifully, that was not the case. Instead, homes were made as safe as possible, with latches on cupboards and the like, and children were free to explore.

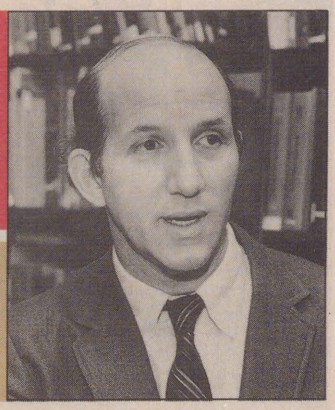
Probably the most controversial and emotion-laden issue having to do with young children is the issue of working mothers.

During this era of feminism and economic troubles, I am one of the few professionals in this field who is willing to say that, generally speaking, it is very unwise for working parents to transfer the primary child-rearing function to somebody else, especially to center-based care. Now, I've had a lot of tomatoes thrown at me because of that statement, but my concern is what is best for babies.

In the first few years, there are some extraordinarily important structures laid down in a child's life. If you've got a child with outstanding language and brain power at 3, you have pretty much laid the groundwork for success in school well into adolescence. Correspondingly, if you've got a child who at 3 has a delightful personality and gets along well with other children and adults, then you have a child whose social adjustment and success are pretty well assured for a long time to come.

From our observations, the children who make the best progress along these lines are those who receive a tremendous amount of personal, prompt attention and affection early in life. You need someone close at hand who has a kind of irrational love and commitment to the child, and it is difficult to find such people in substitute care. If parents or grandparents aren't available, the best bet is to have a superb person come into your home, but that is prohibitively expensive for most families.

Watch for Emotional Milestones



Dr. Stanley Greenspan, Chief, Clinical Infant Research Unit, National Institute of Mental Health

There's a lot more intellectual interest in child rearing today. Parents are reading more, wanting the best for their children. But one thing they tend to overlook is a child's emotional development.

In the last five to eight years, we've been able to pinpoint what we call the emotional milestones in the same detail that we note the neuromotor milestones—crawling, standing, walking. For example, in the first couple months of life, a baby should be able to use her eyes and ears to take in information and also to calm down. By 2 to 4 months, she should be able to form a trusting relationship and experience pleasure and satisfaction. By 4 to 8 months, she should be able to interact in a cause-and-effect way and begin to learn that her own emotions and behavior lead to expectable reactions in her parents.

I don't believe a baby, in the first year of life, can be spoiled. But here I'm talking not about bringing the baby 100 different toys; I'm talking about the very guts of human intimacy. The baby who is finicky and cries a lot benefits from being carried around on mommy's shoulder until he feels calm and secure. Even if it means getting up at night and rocking the child, it is worth it because the child is learning that the world can help him calm down. The infant also learns, however, that you respect her wishes and emerging abilities when you follow her lead in interactive play. The more sensitive you can be to your infant's individual characteristics and needs in those early months of life, often the more secure and competent the youngster may be.

Then when a child gets into the second year of life, he learns how to organize his emotions and behavior into larger patterns. The healthy 15-month-old can take mother's hand, walk her to the refrigerator and signal a desire for food. There's wish, intention—all organized.

By 18 months, children begin to understand how the world functions. They'll take a comb and pretend to comb their hair. They're beginning to know that their mothers can be happy one day, sad another. Between 18 months and 24 months, children also begin creating their own ideas. A healthy 2½-year-old is often able to play out a "pretend" scene with dolls showing that ideas are now guiding behavior and feelings.

So instead of just focusing on intellectual performance, parents need to ask themselves at each of these stages how well their children are dealing with expected patterns of feelings—from closeness and warmth and dependency to assertiveness, curiosity and aggression.

For example, at the stage of "creating ideas," can a child use his words to ask to be cuddled or held? In his pretend play, are there themes of warmth and nurturing? Does he play out little dramas having to do with assertiveness—say with race cars—or use dolls to explore hidden territory? In other words, how well is my child progressing in developing the full range of human emotions? □

CLAUDE URRACA—SYGMA

U.S. soldiers land in Honduras for joint maneuvers in the strategically located nation.

Behind Latin Unease Over U.S. Military Aid

Nations of Central America worry that Reagan's drive against Communism may drag them into the East-West fray.

A growing resentment in Central America against U.S. military involvement now is spotlighting the magnitude of Washington's role in the defense of that region.

The reaction is surfacing most strongly in five states regarded by the U.S. as key participants in the Reagan administration's strategy to curb the further spread of Communist influence in the Western Hemisphere. Thus—

Honduras. This country's current armed-forces chief seeks a reduction in U.S. military activities, in contrast with his predecessor, who favored unlimited cooperation. Demanded now is an end to U.S. support for anti-Marxist Nicaraguan guerrillas based in Honduras and a cutback in the number of Salvadoran troops trained on Honduran soil.

El Salvador. Military commanders openly voice opposition to any increase in the number of U.S. advisers assigned to their forces, as proposed by a high-ranking American officer. Instead, they advocate a narrower role for the 55 American advisers now in the country, despite the threat of a new offensive by Marxist guerrillas this fall.

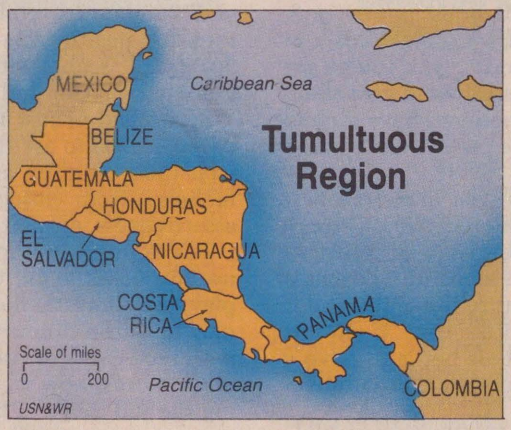
Panama. Nationalist pressures are forcing the U.S. to close an important military school that has been used since 1947 to train 44,000 Latin American officers.

Costa Rica. U.S. efforts to secure military access are being rebuffed, and American support for anti-Nicaraguan rebels operating from the northern part of this neutral country has led to bitter recriminations.

Guatemala. Resentment over U.S. human-rights criticisms has led the Guatemalan military to lessen reliance on American supplies and to block Washington's attempts to draw the nation into a Central American military pact.

Behind this trend is mounting concern among friendly Central American nations that U.S. emphasis on military policies is becoming a destabilizing, rather than stabilizing, factor in the region. While all these states worry about the rapid growth of Nicaragua's armed forces and the threat posed by Marxist-backed rebels, they are also uncertain whether the increasing U.S. military presence heightens the dangers more than it underpins their security.

Given the high political costs of military cooperation with the U.S., there also is mounting criticism, especially in Honduras, over what Central American leaders consider insufficient economic, as distinct from military, aid.



In response to this backlash, the Reagan administration is currently stressing diplomatic more than military initiatives—for example, negotiations with Nicaragua's Sandinista regime and with Cuba's Castro as well as political talks to end El Salvador's civil war. But Washington policymakers leave little doubt that they contemplate no change in their basic approach.

That strategy has three aims: To bolster anti-Communist forces in El Salvador against Marxist guerrillas and in Honduras against a threat from Nicaragua; to pressure Nicaragua's Sandinista leaders to stop arming revolutionary movements in El Salvador and elsewhere in the area, and to acquire the option to intervene with U.S. forces if this ultimately is deemed unavoidable.

Already, ranking officials in the Reagan administration are claiming success for this policy. To quote Secretary of State George Shultz: "The tide of history is with us. . . . Our policies are working. Gradually, but inevitably, Communist aggression is losing the contest."

As evidence of progress, Washington officials point to strengthened resistance by El Salvador's Army, the increased stability achieved by El Salvador's popularly elected President José Napoleón Duarte, a decline in Nicaraguan arms shipments to Marxist rebels and in incidents on the Nicaraguan-Honduran border, and a new Soviet restraint in the region.

U.S. aid credited. "The flow of arms from Nicaragua to the Salvadoran guerrillas has not been stopped," says a U.S. diplomat. "But we have deterred Sandinista support for the rebels and averted collapse of the Salvadoran Army."

These gains are attributed by U.S. officials mainly to the expansion in American military involvement in Central America. The scale of this new U.S. role is pointed up by one fact: If the Reagan administration gets its way with Congress, American military sales and aid to Central America for the three years beginning Oct. 1, 1982, will total 918 million dollars, compared with 245 million dollars between 1950 and 1981.

Military assistance, though, is only one measure of an American commitment that has grown by leaps and bounds during the past two years in a part of the world roughly the size of Colorado and Wyoming combined and with a total population of 24 million.

In a single year, for example, the number of military personnel from

Central America that are being trained by U.S. advisers has jumped nearly eight times, from 3,300 in 1983 to an estimated 25,000 this year.

More *contras* in '84. Central Intelligence Agency-sponsored operations have swollen to the point that the *contras*—U.S.-backed Nicaraguan rebels—now total 15,000, or three times the number early in 1983. At the moment, their future is uncertain in view of a congressional veto on further covert funding.

Meantime, a network of semipermanent American-built airstrips, radar sites, weapons depots, housing and roads has been created in Honduras under the label of exercise-support facilities. These installations not only provide greater punch for Honduran forces but also could be a launching platform for U.S. troops if one is ever required.

Also crucial is a series of military exercises U.S. forces have held in Honduras over the past two years. At their peak, these maneuvers have mobilized 30,000 men and 350 ships and sometimes lasted six months. Even today, during a lull in the exercise schedule, Americans are flying reconnaissance missions over El Salvador from a base in Panama, manning radar installations around Nicaragua and working closely with Salvadoran Army commanders on secret counter-insurgency sweeps.

Dramatizing this involvement, American military personnel in Honduras and El Salvador—now numbering around 1,000, compared with fewer than 100 in March, 1983—have begun to face hostile fire. Recently, the outgoing chief of U.S. military advisers in El Salvador, Col. Joseph Stringham, disclosed that he had been shot at "three or four times" in a year. American Special Forces troops in Honduras, too, have been fired on this year.

Two Americans from an Alabama-based veterans' group were killed in Nicaragua early this month when their helicopter was shot down as they were aiding anti-Sandinista rebels, apparently with tacit approval of U.S. authorities.

At the heart of the U.S. military buildup is the rugged, mountainous country of Honduras—poorest of Central America's seven states, politically fragile, but strategically pivotal to any American attempt to head off a Communist takeover of the region.

Under terms of various agreements signed since 1981 with military-backed civilian governments in Tegucigalpa, the U.S. military currently has access to at least six airfields in a country the size of Tennessee. A regional military-training center, staffed by more than 150 Americans, is maintained at Puerto Castilla, along with a naval docking facility. On the border with Nicaragua, American military engineers have constructed an 11-mile tank trap. Two U.S.-built-and-manned radar sites scan almost all Central America.

The Reagan administration is seeking funds to construct potentially permanent facilities in Honduras such as housing, hospitals and fuel-storage tanks. On the drawing board, too, is a 160-million-dollar project proposed by the U.S. Southern Command in Panama to develop a port-airfield at Puerto Castilla in Honduras.

Masterminding these developments is Gen. Paul F. Gorman, 56-year-old chief of the Army's increasingly influential Southern Command, based in Panama. Gorman, known as a hard-charging, vocal anti-Communist, assumed his current post in May, 1983, as the U.S. military buildup in Central America was moving into high gear.

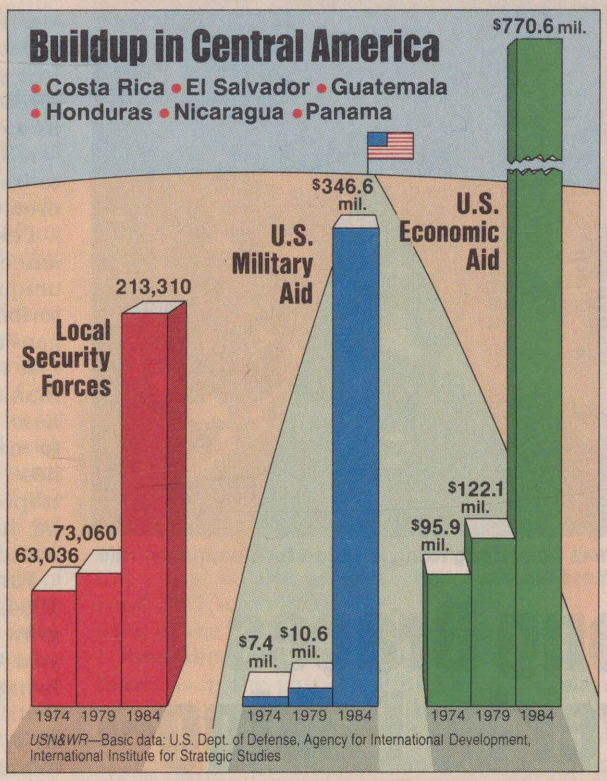
Insiders say Gorman's energies presently are directed toward modernizing the armies of El Salvador and Honduras, consolidating the growing U.S. presence in Honduras and persuading Costa Rica—which has no army—that it needs direct American help.

To the Reagan administration, preoccupied with the global Soviet challenge, the justification for a widening of the U.S. military role in Central America is straightforward. Failure to prevail in the region will be perceived by the Kremlin as another sign of American weakness, will unnerve U.S. allies and will encourage other Communist challenges.

Power stressed. President Reagan summed up the goal this way: "Let us show the world that we want no hostile, Communist colonies here in the Americas, South, Central or North."

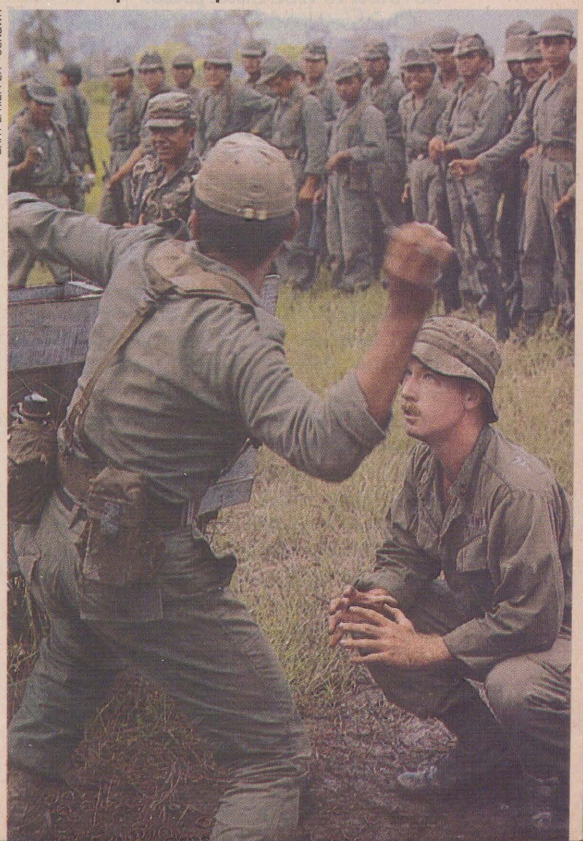
The key to achieving this goal, White House policymakers emphasize, is use of U.S. military power short of actual combat. In the President's words: "The issue is our effort to promote democracy and economic well-being in the face of Cuban and Nicaraguan aggression, aided and abetted by the Soviet Union. It is definitely not about plans to send American troops into combat in Central America."

All the same, uneasiness persists as the U.S. military buildup in Central America proceeds. But for the moment, Reagan and his top advisers remain convinced that only a stalwart American military posture in the region can ward off new gains for Communism—whether this policy produces problems of its own or not. □



By ROBIN KNIGHT with CARL J. MIGDAIL and ROBERT A. KITTLE

Americans oversee the training of Salvadoran troops at camp in Honduras.


GARY L. KIEFFER—USN&WR

STUART FRANKLIN—SYGMA

Thriving symbol of Western capitalism in Asia, Hong Kong is slated for Communist rule.

As Hong Kong Braces For Takeover by Peking—

Now that the deal is set, the crown colony worries whether the mainland Communists will honor pledges to tread lightly.

HONG KONG

Britain's agreement to turn Hong Kong over to China raises this touchy question: Can Communism and Western capitalism coexist in a tiny colony devoted to free enterprise?

Chinese leaders in Peking say the answer is yes. They insist that by 1997, when the merger of the two systems is to be completed, all major problems will have been swept aside.

Chinese living here in Hong Kong are not that optimistic. Many are so uneasy that they are prepared to flee.

One partner in the agreement—a draft of which could be initialed in late September—is this British colony, a backwater imperialist outpost in the 19th century that after World War II became almost overnight a symbol of successful free enterprise.

The other partner is China, an imperialist conqueror in earlier centuries until it was partially carved up by powerful foreign enemies. In recent years, it has rebounded to a position of regional power and global prestige.

Peking will be reclaiming land that once was part of China: Hong Kong island, ceded to Britain in perpetuity in 1841; the Kowloon peninsula, ceded in 1860, and another tiny slice of the mainland leased from China in 1898. All told, the colony is slightly smaller in size than Los Angeles, with a population of 5.4 million, 98 percent Chinese.

The 1997 cession will represent the most massive negotiated turnover of a non-Communist population to Communist control since France agreed at the Geneva conference of 1954 to pull out of North Vietnam.

Future perils. Ahead for Hong Kong and for its friends, including the United States, is a mine field of political, economic and social high explosives.

Few Hong Kong Chinese, knowing how wildly Peking's political pendulum has swung during the past 35 years, believe that the Communists will live up to all of their pledges. This is particularly so for the 2 million plus who at one time lived on the mainland. Disillusioned by Communist rule, they fled to sanctuary under the British flag.

Even today, their numbers are swelling by the average of 2,200 Chinese who emigrate legally from the mainland each month. An additional 1,300 are captured trying to enter illegally.

Among Peking's promises to Britain:

- To preserve Hong Kong's British-style legal system and residents' right to make their own laws.
- To allow Hong Kong to retain its economic and trade policies, remain a free port, maintain membership in international organizations and manage its own financial affairs.
- That Hong Kong citizens be free to travel abroad and to send their children elsewhere for study.

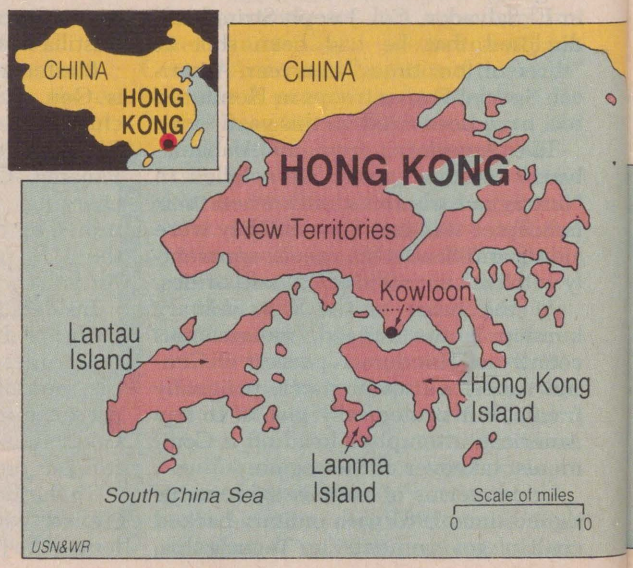
Peking says these rights will be guaranteed for at least 50 years under a unique setup it plans to create—described with the Chinese love of slogans as "one country, two systems."

It will take some doing for the Communists to protect rights no other Chinese on the mainland enjoys and also to match the business pace set by Chinese, British, American and other entrepreneurs. For the Communists will be inheriting one of the capitalist world's great success legends.

Funds multiply. Between 1948 and 1984, Hong Kong's per capita income grew from less than 200 U.S. dollars a year to more than $5,000. Even now, living under the shadow of an end to British-guaranteed freedoms, the colony's principal enterprise—making money—continues to thrive. It ranks third among the world's ports and third among global financial centers.

Economic growth in 1983 was 5.9 percent and is expected to rise this year. Exports in 1983 totaled 22.1 billion U.S. dollars. The first four months of 1984 hit a record pace, up nearly 29 percent from the same period in 1983.

Two-way trade between Hong Kong and the U.S. came to 9.7 billion dollars in 1983 and was rising at a rapid pace in the first six months of 1984. Sales last year of 7.1 billion in goods, much in textiles, made the colony the eighth-largest U.S. supplier. Americans became No. 1 in sales to Hong Kong with 2.6 billion worth of electronics gear, food, tobacco and other items.



American investment here has risen from 500 million dollars in 1978 to an estimated 4 to 5 billion today.

Hong Kong's future rests on two imponderables: Morale of the Chinese living in the colony and the stability of the Chinese who rule in Peking.

As of now, few question the sincerity of most of Peking's promises to Hong Kong. But there are serious doubts about the durability of assurances from a political system noted for violent shifts from one extreme to another.

Negative assessment. America's Data Resources, Inc., and Policon Corporation predict that Peking will not be bound by agreements negotiated with London because "internal political pressure will lead to an erosion of the assurances . . . and transformation of political and economic life in Hong Kong."

One clear indication of the morale of the Chinese living in Hong Kong is preparation by the moneyed and intellectual elite to establish escape routes for use if the political and economic climate proves unbearable.

An exodus of talent and capital either before or after British rule ends would be a staggering blow to the economy. Moreover, it could trigger panic among Hong Kong's middle-class residents, few of whom see any way of pulling up stakes.

Says a Western consular officer: "People with money and influence already have a ticket out if they want to use it. They can leave anytime they want. But most are waiting around to see what happens."

Jimmy MacGregor, president of the Hong Kong Chamber of Commerce, says their departure would be comparable to the "Fortune 500 companies all pulling out of the U.S."

Very few rich and influential Chinese actually have left. But up to 30,000 have started transferring portions of their businesses and financial resources elsewhere or are moving their Hong Kong-dollar accounts into U.S. dollars and other foreign currencies. Some have sent their children to study overseas. Others seek to establish a family presence abroad to facilitate getting visas for themselves when the time comes to leave.

As Brian Tisdall of the Hong Kong Justice Department wrote recently: "Talk to almost anyone under 40 who has a degree, professional qualifications or specialist experience and the story is the same: Virtually all want to leave, and most are making plans to do so."

Other anxiety indicators: The drop in local, long-term capital investment, continuance of which is essential if boom times are to extend beyond 1997, and virtual collapse of the volatile real-estate market.

STUART FRANKLIN—SYGMA

Many of Hong Kong's 5.4 million people have plans to flee, but most are too poor to leave the colony.

Amenities as usual. Life here continues as in the past. Wealthy Chinese and British expatriates take their tea at the Peninsula and Mandarin hotels, sup at their private clubs and then retire to their gleaming white apartments or homes on the Peak, towering over the business district's skyscrapers.

Talk may revolve around the decision by Jardine, Matheson & Company, one of the founding British trading empires in the Far East, to set up headquarters in Bermuda—while retaining its foothold here. Or it may deal with a decision by Peking's Bank of China to go ahead with construction of a 70-story office tower to be completed by 1988. It will dwarf the 640-million-dollar British-owned Hong Kong & Shanghai Bank's 52-story headquarters now being built.

The historic Star ferries are jammed with tourists taking the 5-cent, 10-minute ride across the harbor that divides the island from the air-conditioned shopping meccas of Kowloon.

Just outside urban areas are some 600 villages where residents still grow rice, raise ducks or dry and salt fish.

Hong Kong's colorful panorama is matched by its patchwork history.

British warships were based here to keep China's imperial rulers "in their place" and protect the trading companies that sold opium to the masses and oil for the lamps of China. They brought back to the West silks, furs, precious stones and tea that earned fabulous profits.

In 1938, Japan occupied China's ports. So Hong Kong's airport immediately became an invaluable door to China's wartime capital, Chungking, a role it played until Japan seized the colony itself after attacking Pearl Harbor.

From 1950 to 1953, Chinese troops fought against British, American and other United Nations forces in Korea. Yet British-ruled Hong Kong expanded trade ties with Peking and provided the Communists an outlet to the West.

Sizable earnings. Today, China is a major beneficiary of Hong Kong's capitalist system. Estimates of Peking's foreign-exchange earnings through the colony range from 25 to 40 percent of its annual total. Mainland investment here, mostly in real estate, is reckoned at more than 3 billion U.S. dollars.

Why then does Peking insist on recovering such a useful enclave?

Basically, China wants to eliminate "unequal treaties"—those that gave foreigners extraterritorial rights, including land, in China. Western control of Hong Kong is unacceptable.

Moreover, a successful transfer of the colony to Communist rule could serve as a lure to the Chinese Nationalists on the offshore island of Taiwan to rejoin the mainland under the one-country, two-system formula offered Hong Kong.

Many Chinese in Hong Kong take great pride in the colony's prospective reversion to the motherland. But most residents suffer from anxiety and uncertainty. They will have little or no say in whether the wedding of capitalism and Communism succeeds or fails.

Says a Hong Kong businessman: "We can't trust the British. They want to get out as fast as possible. We can't trust the Communists. They'll say anything to get in. All we can do is wait and see what comes next." □

By WALTER A. TAYLOR

Profile of Crown Colony

People: 5.4 million.

Land: 411 square miles, or one fifth the size of Delaware.

Economy: Total output in 1983 of 28.4 billion dollars, or $5,354 per person, compared with U.S. figure of $14,135. Major industries include clothing, textiles, watches, electronics, tourism and toys.

Trade: Exports in 1983 of 22.1 billion dollars, imports of 24.1 billion. Exports to U.S. were 7.1 billion, imports from U.S. 2.6 billion. Other big trading partners: China, Japan and Britain.

If you're over forty, you'd be wise to read this.

Early detection can save 3 out of 4 lives.

Colorectal cancer is a serious disease that strikes the colon or rectum. Next to lung cancer, it's the leading cause of cancer-related deaths in this country. 130,000 new cases will be diagnosed this year, and nearly half of them (59,000) will prove fatal. It doesn't have to be that way. If detected early, the chances of surviving colorectal cancer are greatly improved.

Why Should I Worry? I've Never Been Sick a Day in My Life.

Wonderful, but unfortunately it's no guarantee that you won't get cancer of the colon or rectum. Colorectal cancer strikes men and women with equal frequency.

Age, however, is a factor, since the risk increases dramatically if you're over 40. If you're past that age, or if there is a history of cancer (especially colorectal cancer) in your family, you should know about the Hemoccult® Home Test, an easy examination for a sign of colorectal cancer that you can give yourself, in the privacy of your own home.

Detecting Hidden Warnings.

The name Hemoccult comes from *hemo,* meaning "blood," and *occult,* meaning "hidden." The test materials have been chemically treated to detect otherwise unnoticeable traces of blood in a person's stool—hidden blood that could be an early tip-off to the presence of cancer or other colorectal diseases.

Using the test is simple. Everything has been provided to make it fast, easy and painless (read and follow package directions carefully.) Within 60 seconds the results will be evident. If they reveal the presence of blood, see your doctor promptly.

Early Detection Could Save 3 out of 4 People.

In most cases, the Hemoccult

If there's a history of cancer in your family, you'd be foolish not to.

Home Test results will simply bring you the relief and satisfaction of learning that blood, which may be a sign of cancer, is not evident. But even if hidden blood is detected, there is still no reason to panic. The presence of blood in the stool can be an indication of other conditions far less serious than colorectal cancer. And even if cancer is diagnosed, with early detection the survival rate is approximately 75%.

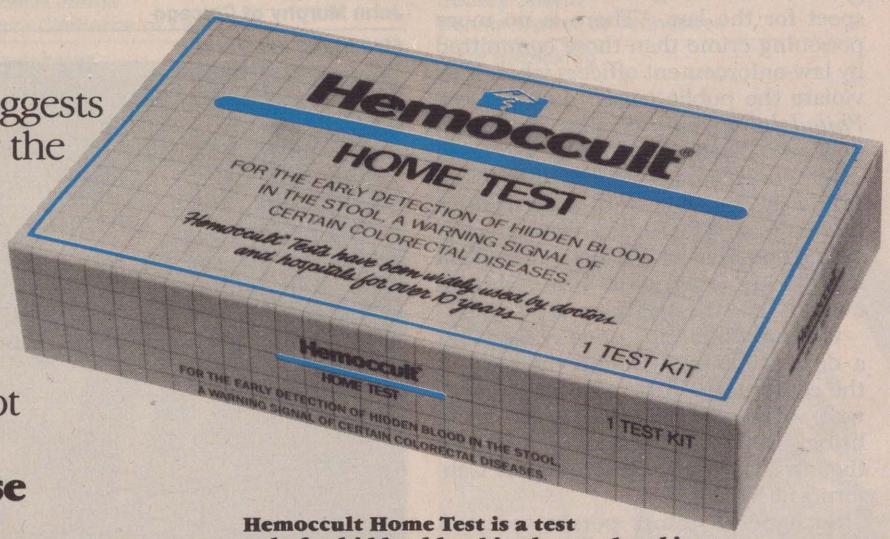
What Can Be Done to Reduce the Risk of Colorectal Cancer in the First Place?

Obviously there are no guarantees, but evidence suggests that a proper diet may offer the best defense. The basic rule of thumb is to increase the fiber in your diet and reduce fat. And of course, the need for a periodic doctor's examination cannot be overstressed.

Over a Decade of Use in Hospitals.

Hemoccult has been used by millions of patients in hospitals and doctors' offices for years. Now the Hemoccult Home Test is available wherever drugs are sold. Of course, the Hemoccult Home Test is no substitute for your doctor's regular physical examination, but between checkups it provides an added means of early detection.

Remember, the odds of your having colorectal cancer are small, but not small enough to ignore. The few minutes you take for the test will most likely help put your mind at ease. On the other hand, they might save your life.



Hemoccult Home Test is a test only for hidden blood in the stool and is an aid to detecting certain colorectal diseases. If blood is detected, see your physician. Read and follow directions.

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When Law Enforcers Get Money Under the Table

If caught, it means ruin. Yet some judges and police officials have itchy palms that only dollars can scratch.

The nation's law enforcers, stepping up their campaign to stamp out corruption, are finding there's a lot of it embarrassingly close to home.

So many high-ranking police officers, judges and prison guards are on the take that fully one third of the Federal Bureau of Investigation's public-corruption probes nowadays involve charges against law-enforcement people. On a single day recently, federal juries convicted—

- U.S. District Judge Harry Claiborne of Reno for evading taxes on $106,000 in income, making him the first federal jurist ever found guilty of a felony committed in office.
- Seven Philadelphia policemen—including the department's former deputy chief—for accepting $350,000 in bribes from gamblers who wanted to avoid arrest.
- Chicago police officer Ira Blackwood for taking $4,400 in bribes to fix cases in six courts.

From every sign, only a small fraction of America's law officers are crooked. Yet the growing stream of indictments and convictions is working against efforts to win support for bigger anticrime budgets and maintain respect for the law. "There is no more poisoning crime than those committed by law-enforcement officers when they violate the public trust," declared the *Philadelphia Inquirer* after that city's policemen were found guilty.

In Tennessee, where four sheriffs recently were convicted of drug trafficking, Lawson White of the state sheriffs' association says his members complain that "their integrity is being shot at even though most of them are honest."

Corruption in the justice system isn't a new problem. "Around the turn of the century, the first response of many who were arrested was to offer a $5 bribe," says Prof. Malcolm Feeley of the law school of the University of California at Berkeley.

Such petty crimes persist today. A motorist may pay an official to fix a traffic ticket; a defendant or his lawyer may slip money to a court clerk to speed the handling of a case. Stirring more concern, however, are the much bigger payoffs offered to purchase protection for narcotics, prostitution and gambling.

The highly lucrative smuggling of illegal drugs into the Southeast and elsewhere has prompted a surge of corruption among county sheriffs, their deputies and other relatively low-paid law officers. Robert McCormack of Trenton, N.J., State College, an ex-policeman who has studied the problem, asks: "How would you feel if you were earning $20,000 a year and someone offered you $100,000 to let him go?"

Actually, the payoffs usually are more modest. Former Sheriff Bobby Stinson of Cocke County, Tenn., is serving a seven-year prison term for providing armed protection for a landing strip used by cocaine dealers. His end of the deal: $7,000, a ham and a case of whisky.

In an adjoining county, a former prosecutor, a judge and two sheriffs' deputies were among what one official calls "a typical cross section of an American community" convicted of joining forces to import more than 1,500 pounds of marijuana from Colombia. Guy Blackwell, federal prosecutor in Greeneville, Tenn., says of the string of law-enforcement convictions: "It came down to greed."

At times, sympathy with drug use plays a role. "This generation of police officers has been exposed to college and the Vietnam War," notes Thomas Duffy, who prosecutes justice-system corruption cases for New York State. Adds Prof. Frank Schubert of Boston's Northeastern University: "Police are caught in the middle between a society that says it wants to live one way when it really doesn't."

It is the power to make arrests—or not to make them—that renders police a target of corruption. With judges, it is the power to sentence.

In one typical case, Judge Evan Callanan of Westland, Mich., is serving a 10-year prison term for taking an $8,000 bribe to give probation to a defendant convicted of sexually molesting a retarded 14-year-old girl.

"Hustlers' club." In Chicago, a federal undercover investigation, nicknamed Operation Greylord, has produced indictments of four judges and 13 others for accepting bribes to fix cases. Testimony has told of a "hustlers' bribery club" made up of lawyers alleged to have funneled $2,000 to one judge each month in return for lenient action in drunken-driving cases. Investigators say such under-the-table money has blighted the city's lower courts for decades.

Citing the recent flurry of charges against judges, Prof. James McElhaney of Cleveland's Case Western Reserve University Law School says: "We're not paying them enough, and some justify misconduct in economic terms."

In the case of Harry Claiborne, the government contended that the Las Vegas judge became "desperate for money" after leaving a $375,000 law

Five Who Went Astray

Circuit Judge John Murphy of Chicago

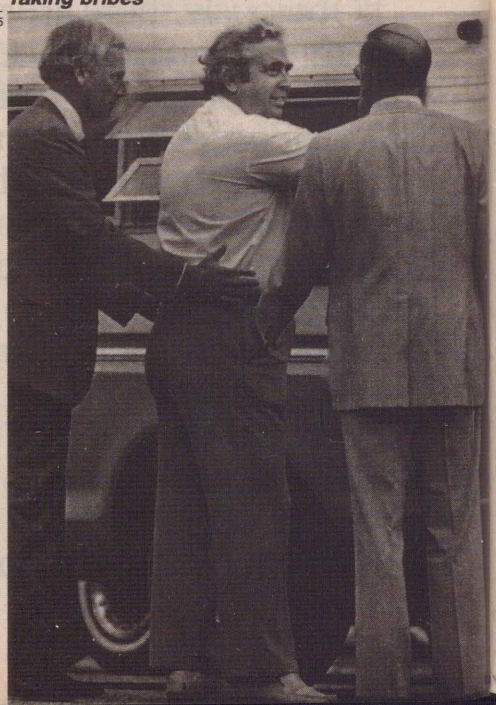
Mail fraud, extortion

AP

District Judge James Wilton Hunt of North Carolina

Taking bribes

UPI



practice for a $55,000-a-year judgeship in 1978.

In prisons, corruption most often takes the form of inmates paying guards to let them have drugs, other contraband or other special privileges. Again, the experts blame low pay.

Around the U.S., the average starting salary of corrections officers is $16,400. In New York State, where one third of the applicants for prison jobs have arrest records themselves, one official reports: "We've found many guards selling drugs and liquor to inmates."

Fatter paychecks, but—. The federal government pays higher salaries, but that doesn't stop payoffs. One U.S. prison employe admitted soliciting bribes from inmates who wanted to accompany him on routine supply runs out of prison so they could visit women or pick up contraband. At the federal Terminal Island Prison in California, seven employes were convicted in a scheme to allow drugs in the facility and to help inmates escape.

Although most corrupt civil servants simply want to fatten their incomes, other motives for lawbreaking pop up occasionally. In Boston, three policemen and two firefighters are facing charges of helping to set 163 fires—injuring 280 and causing 22 million dollars in damage—to get public support for more police and fire-department jobs.

One reason why justice-system corruption seems so widespread these days is that it is being prosecuted more aggressively.

"Some abuses used to be tolerated, but government is more willing to act against corruption now," says Prof. Herman Goldstein of the University of Wisconsin Law School.

Two units of the U.S. Justice Department that keep tabs on such wrongdoing were created only in the mid-1970s: The Public Integrity Section, which polices governmental corruption nationwide, and the Office of Professional Responsibility, which probes charges against Justice Department employes. Each year, internal investigators look into more than 1,700 allegations against agents, attorneys and other workers. Hundreds lead to criminal charges or discipline.

On the state level, New York maintains a full-time special prosecutor to fight law-enforcement corruption in New York City. The unit has won more than 550 convictions since 1972.

Local police are shoring up their own safeguards. The Los Angeles Police Department maintains an audit team "looking for places where something could go wrong," says spokesman William Booth. Denver now refuses to hire police applicants whose polygraph tests indicate recent drug use; largely as a result, nearly half are rejected.

In the judiciary, U.S. Attorney Dan Webb of Chicago is advising how to curb corruption. One idea: Ending what Webb calls an "atmosphere of informality" that condones private meetings between judges and defense attorneys. In recent years, the federal judiciary and every state have adopted procedures for disciplining errant judges.

New York and a few other states are upgrading checks on prison job seekers by, among other things, giving applicants psychological tests to detect mental problems.

Despite all the successes, probes into justice-system wrongdoing occasionally misfire badly. In one such case, known as Operation Corkscrew, the FBI sprang into action after an informant charged that certain municipal judges in Cleveland were susceptible to bribery. The informant ended up defrauding the FBI and pocketing tens of thousands of dollars intended for use as bait. Now, one of the target judges is suing the federal government for damaging her reputation.

Chicago's Operation Greylord also has its troubles. Both a judge and a bailiff have been acquitted of bribery. Judges on the ballot this November, not implicated in the scandal, complain that federal officials have imperiled their re-election by implying that most Chicago judges are corrupt.

"Raise the risk." Still, prosecutors contend that the heat they are putting on justice-system employes nationwide is keeping many potential wrongdoers in line.

The penalties meted out at times have been severe. In Mississippi, Harrison County Sheriff Howard Hobbs drew a 20-year prison sentence earlier this year for corruption. Prosecutors charged him with taking a $29,500 bribe from two prisoners to arrange their release, extorting money from bonding companies and shielding the drug-selling racket of a Gulf Coast mobster.

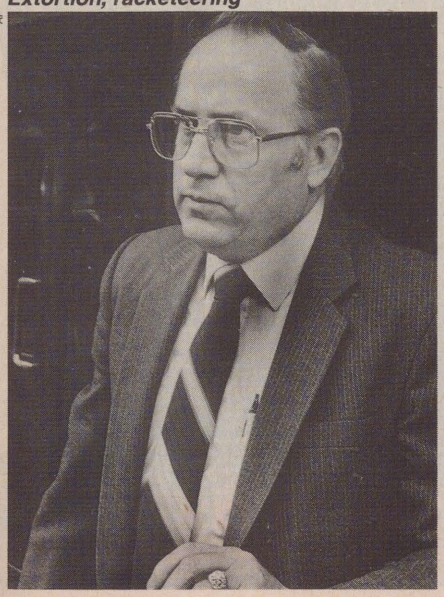
Says U.S. Attorney William Weld of Boston: "We're trying to raise the risk of corruption among people who know that if they are caught, they're ruined." □

By TED GEST with the magazine's domestic bureaus

Deputy Police Commissioner James Martin of Philadelphia

Extortion, racketeering

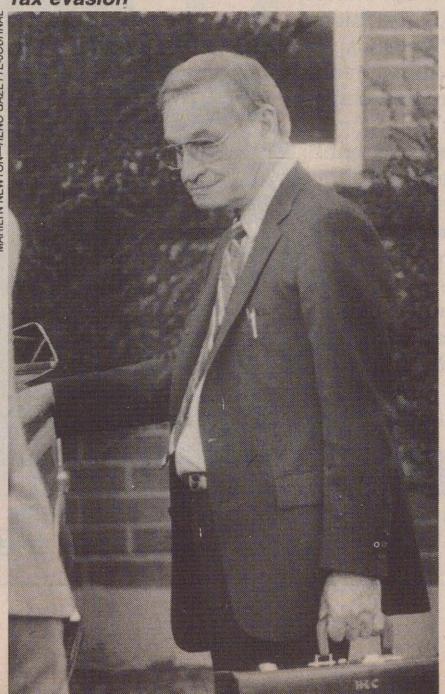
AP



Federal Judge Harry Claiborne of Las Vegas

Tax evasion

MARILYN NEWTON—RENO GAZETTE-JOURNAL



County Sheriff Dennis Trotter of Tennessee

Drug trafficking

KNOXVILLE NEWS-SENTINEL

The Comeback of Risk Takers: They're Reshaping Business

Intent on making millions or being the boss, thousands of Americans are striking out on their own. Their frequent successes are spurring new technologies and creating jobs.

Roger Badertscher decided just two years ago that designers and engineers needed a personal computer that could create sophisticated graphs and charts. He and two recruits left their employers to found a company called Mindset in Sunnyvale, Calif. They raised 4 million dollars and produced a machine that hit the market last March.

Eighteen months ago, Brian and Joan Cassedy sank their life savings into a firm that offers management and consulting services to trade organizations. The Washington, D.C., couple rented an office and went after their first client. They recently landed their 12th account and added a sixth employe to the payroll.

In pursuit of their American dream, business daredevils such as these toil 80 or more hours a week, putting their careers and life savings on the line. In the process, they are reshaping the U.S. economy by pushing technological know-how to new frontiers, creating millions of jobs and prodding sleepy corporate giants to become more competitive.

Badertscher and the Cassedys are among the latest converts to one of the nation's fastest-growing occupations—entrepreneur. From Boston's Route 128 to California's fabled Silicon Valley, hundreds of thousands of people are going into business for themselves.

While computer makers and genetic engineers capture the limelight, more typical of today's entrepreneurs are those in less dramatic lines: Jim and Karen Kline, a Chicago couple who chucked their 9-to-5 jobs to open a pair of souvenir shops, or Ron and Linda Maloberti, who run a trucking firm in Scottdale, Pa.

"The U.S. has always been a place for entrepreneurs, but we are seeing more than ever before," says Lionel Pincus, a venture capitalist at Warburg, Pincus Capital Corporation in New York, which helps finance new enterprises. Would-be entrepreneurs launched a record 600,000 firms last year.

Interest in running your own business is so hot that 250 universities now offer courses in entrepreneurship, according to a survey by Karl Vesper, professor of small business at the University of Washington in Seattle. In 1980, only 160 schools offered such courses.

Graduates of the nation's elite business schools—who can easily land $50,000-a-year jobs at blue-chip corporations and Wall Street's big banking houses—are turning increasingly to small firms or striking out on their own. More than a third of those with master-of-business-administration degrees from Harvard are in companies with fewer than 100 employes.

Even giant corporations are trying to join the ranks of entrepreneurs in order to make their business bureaucracies more innovative and productive. General Electric and Xerox have established venture-capital divisions that invest in entrepreneurs and their new technologies.

All in all, says management expert Peter Drucker, "the most important economic event of the last few years is the emergence of the entrepreneur."

Creativeness and Jobs

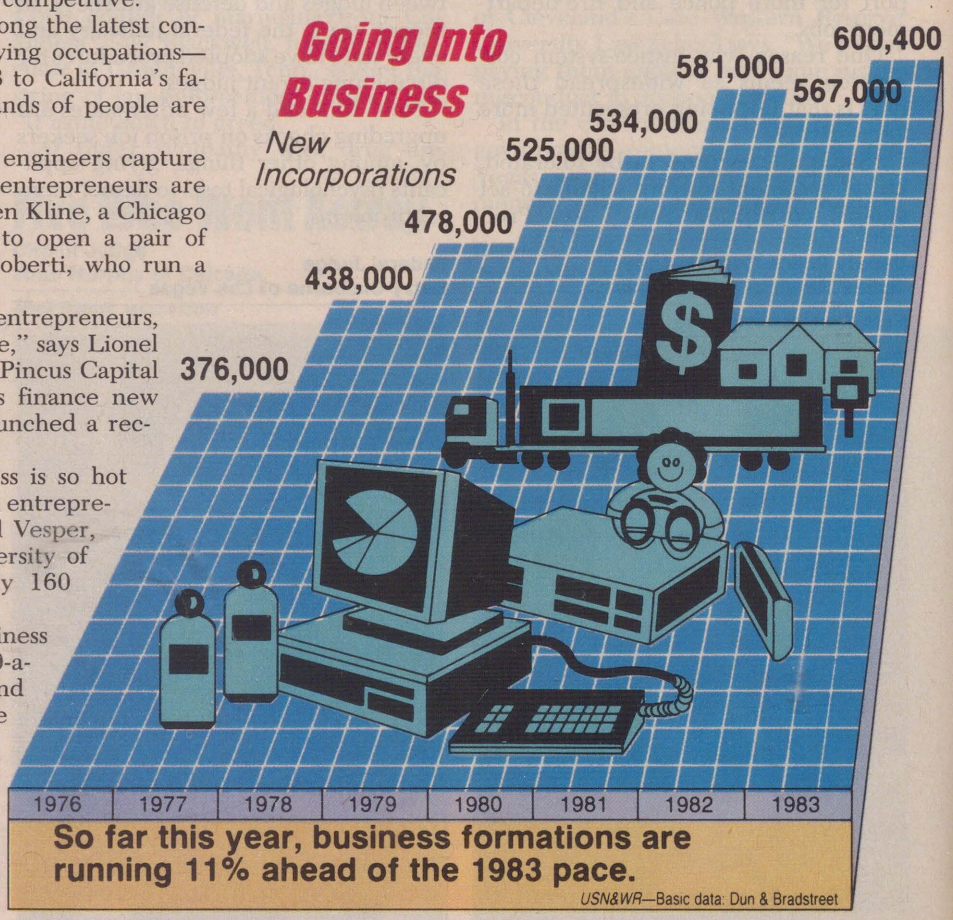
Entrepreneurship is far from a new phenomenon in the United States. Rather, what's happening now is a comeback of a longtime trend. Thomas Edison, for instance, didn't see himself as a scientist but as a "commercial innovator" who invented the phonograph and the light bulb in pursuit of the "silver dollar."

Latter-day commercial innovators have a long list of important inventions to their credit: Lasers, penicillin, insulin and turbojet engines. Entrepreneurs have also given the world such popular consumer products as FM radios, zippers, ball-point pens, fiberglass skis, Velcro adhesive strips and Big Mac hamburgers.

Since the mid-1970s, entrepreneurs have been on the leading edge of innovation in services as well—

- Federal Express pioneered overnight package delivery.
- MCI opened up a huge market for discount long-distance telephone service.
- Steven Jobs and Stephen Wozniak founded Apple Computer and proved that consumers would buy personal computers.

The creative products of entrepreneurs are forcing big companies to become more competitive. "The small firm is the driving force in innovation," observes Edward Roberts, a management professor at Massachusetts Institute of Tech-



KEVIN HORAN FOR USN&WR

Karen and Jim Kline quit their office jobs to open a pair of souvenir shops in Chicago.

nology. "Its only reason for existence is to bring a new technology or product to market, but the small company forces a big company to take notice and compete."

Case in point: International Business Machines, the behemoth of office electronics, had traditionally focused on big computers. But in 1980, the company's management saw a need to compete in the fast-growing market for small computers. The quickest route to developing a new machine, IBM decided, was to start a separate company and give it free rein, including the option to buy parts from outside suppliers—a major departure from IBM's strict procedures.

The new company was based in Boca Raton, Fla., 1,400 miles from IBM's headquarters in Armonk, N.Y. Within a year, the Florida group invented the IBM PC, which quickly swamped the competition. Encouraged by that success, IBM now has about a dozen independent units developing everything from financial-information systems to robotics.

Perhaps the most important contribution of entrepreneurs and their small companies is jobs. David Birch, a business professor at MIT, argues that entrepreneurs generate more new positions than the industrial giants do. Indeed, figures compiled by the Small Business Administration show that, between 1980 and 1982, large corporations accounted for the loss of 1.7 million jobs, while small firms—many of them new ventures—put 2.6 million additional workers on payrolls. Small businesses provided the bulk of the 4 million jobs created in 1983, too, according to preliminary figures.

Experts contend that many European nations are suffering from slow economic growth and high unemployment largely because they don't encourage individual enterprise. "The social status of entrepreneurs is very low in Europe. If you fail just once as an entrepreneur, you're done, economically and socially," explains MIT's Birch.

In contrast, the quick success of American entrepreneurs is drawing foreign inventors here. STM Electronics Corporation, a Toronto-based maker of portable computers, actually markets its products from Menlo Park, Calif., in the heart of Silicon Valley. Says Lisa Williams, STM's Australian-born president: "The U.S. is more hospitable to entrepreneurs, and to be credible in the computer market, we had to open a U.S. office."

Running Their Own Show

What drives so many people to test their ability to sell a new product or service to the American public?

A primary reason is that the U.S. has always been a hotbed of individual enterprise and still is today. Hundreds of thousands of Americans simply prefer to run their own show. Many are former employes of large companies who became disenchanted with the atmosphere of big corporate bureaucracy.

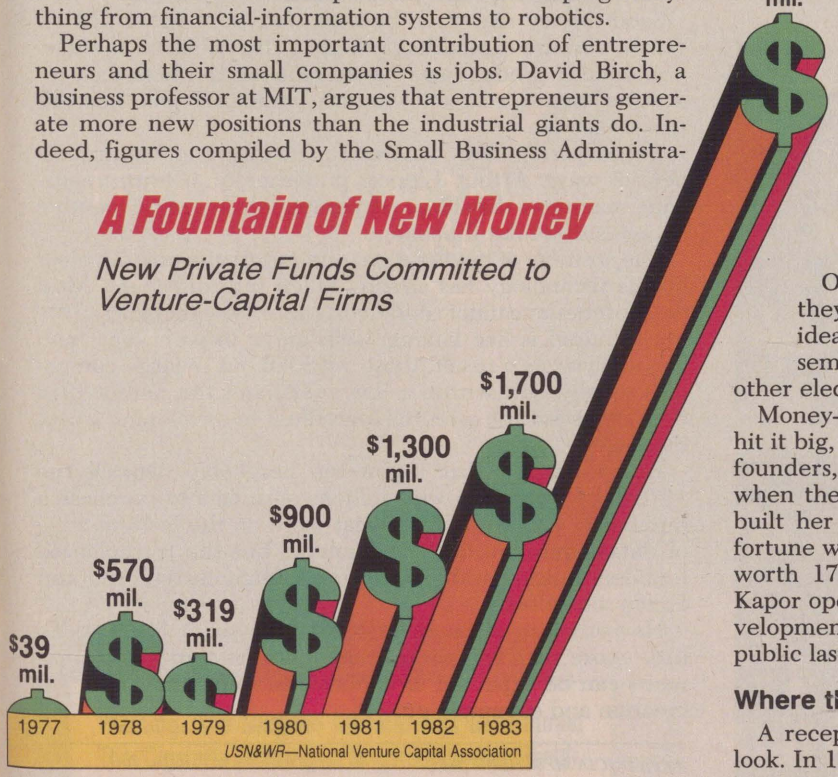
Mindset's Roger Badertscher likes the excitement of inventing something and getting the public to buy it, and the quicker the better. "Entrepreneurs don't like to be managers in a staid company," says Badertscher. "What we do is recognize a need for a product, put a team together and create that product in a very short period of time."

Other entrepreneurs quit safe corporate jobs when they couldn't convince their employers to use their ideas. L. J. Sevin couldn't sell his design for a better semiconductor, a key component in computers and other electronic devices, and founded Mostek.

Money—or, the dream of it—is important, too. Many have hit it big, and their success whets others' appetites. Apple's founders, Jobs and Wozniak, became multimillionaires when their company went public in 1980. Mary Kay Ash built her cosmetics business from scratch and amassed a fortune when the firm went public. Her holdings today are worth 17 million dollars. In Cambridge, Mass., Mitchell Kapor operates his computer-software company, Lotus Development, in an old glue factory. When his firm went public last year, his stake was valued at 70 million.

Where the Dollars Come From

A receptive stock market is a key to the financing outlook. In 1983, nearly 900 companies issued public stock for

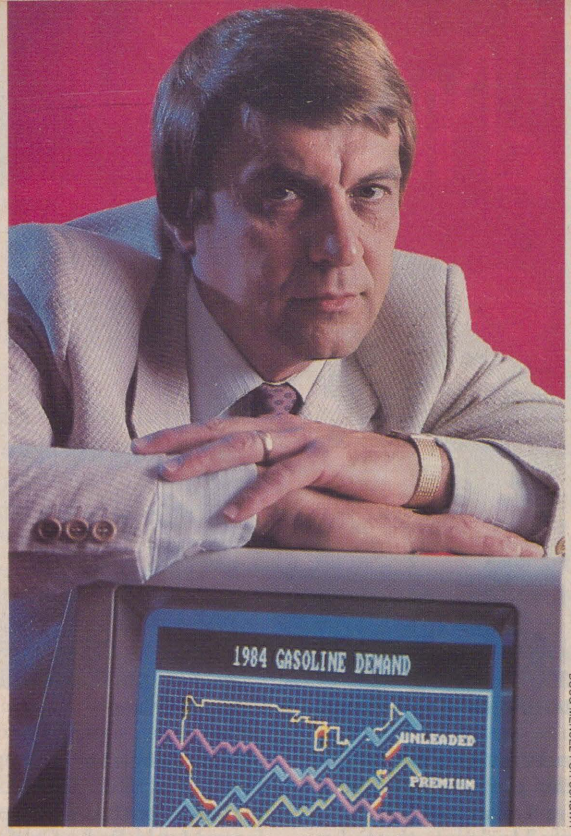


the first time and raised nearly 13 billion dollars in new capital, up from 121 new issues totaling 459 million dollars five years ago. Now, Wall Street is averaging about 50 new issues a month, ranging from high tech to more-mundane chains of pizza parlors and nursing homes.

The rapid rise in start-ups coincides with a dramatic increase in the amount of venture capital—seed money that outside investors advance to fledgling entrepreneurs in return for a big chunk of the company's profits. Last year, venture capitalists raised a record 4.5 billion dollars for investment in new enterprises, more than twice the 1.7 billion raised in 1982. The total venture-capital pool now stands at 12.1 billion, compared with 3 billion just 10 years ago.

Pitch Johnson, a venture capitalist with Asset Management Company in Palo Alto, Calif., says the phenomenal growth in venture capital since the mid-1970s can be traced to two important federal legislative changes. First, in 1974, Congress allowed managers of pension funds to stake start-up companies. Then, in 1978, Congress slashed the maximum income-tax rate on capital gains—initially from 48 percent to 28 percent, then to 20 percent in 1982.

When investors realized the huge profits possible through investing in new companies, the rush was on. In the 1950s and 1960s, partnerships provided nearly every dollar of venture capital. Now, big companies such as Citicorp, the nation's biggest banking company, and Merrill Lynch, the largest securities firm, provide start-up money to entrepreneurs in exchange for large equity positions.



DOUG MENUEZ FOR USN&WR

Roger Badertscher left his Silicon Valley employer to produce a computer that handles fancy graphics.

Yet another push for entrepreneurship has come from women. For every man who opens a new business, 5 women start their own companies. Many of those women are corporate dropouts who say that they encountered too much sex discrimination on the job. Others succeeded in moving up the management ladder but found it was easier to juggle a career and family if they went into business for themselves. Then, too, the emergence of the two-paycheck household, points out Karl Vesper, enables men to give up their old jobs and take the risk of starting their own enterprises.

Risk Is Name of the Game

For all their enthusiasm and abilities, entrepreneurs in general are destined to fail at least once. One half of all start-up companies don't survive beyond five years, a rate that may soon rise. For one thing, experts say, too many unqualified people have been intoxicated by rags-to-riches headlines and are attempting to start their own businesses.

Start-up companies are losing some of their appeal to Wall Street. Numbers of investors are pulling out of the new-issues market after being burned on high-tech stocks that never delivered the earnings expected. Some firms, including the once meteoric Osborne Computers, collapsed before selling their first public share.

Seed money may soon become harder to get. Until recently, venture capitalists practically threw dollars at entrepreneurs. If predictions of a shakeout in the high-tech industries prove correct, venture capitalists will become more selective.

Big corporations are having trouble adapting to entrepreneurial ways. Arthur Lipper, publisher of *Venture* magazine, maintains that large corporate cultures stifle creative people and inhibit innovation.

The strategy of buying a start-up enterprise and developing its technology has already fallen into disrepute. Most entrepreneurs cannot abide corporate bureaucracies. "Being acquired is like having Mom move in with you," says one analyst. As a result, those who sell out to large companies usually quit within a few years, and the parent firm finds it has lost the essential ingredient to developing a new technology.

Exxon learned that lesson the hard way. During the 1970s, the oil giant spent millions of dollars to purchase a number of promising firms that were on the leading edge of data-communications technology. But the transplanted founders quickly walked out, the companies faltered and Exxon took a bath.

Nevertheless, setbacks such as those seem likely to do little more than temporarily dampen the spirit. Entrepreneurs can be expected to continue to spur innovation, job creation and economic growth. □

Entrepreneur Thomas Edison invented the electric light bulb and the phonograph in his pursuit of the "silver dollar."

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By PATRICIA M. SCHERSCHEL

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It's a Violent World For New TV Season

Crimes from hostage taking to drug smuggling are flooding the airwaves as networks try to attract more viewers.

America's commercial TV networks are opening the 1984-85 season with a lineup of programs intended to shock—and thereby attract larger audiences.

Starting in mid-September, ABC, CBS and NBC are broadcasting 23 new or continuing crime-fighting shows for a total of 25 hours of mystery and adventure, compared with 18 hours last year. Many programs are violent—containing scenes ranging from bloody murders to mayhem—in a more realistic vein than most shows have been in recent years.

Typical of new entries: "Miami Vice," a fictional show on NBC that explores the types of crimes, including drug smuggling, that are actually widespread in South Florida, and ABC's "Jessie," which deals with psychiatric approaches to handling crimes such as hostage taking.

A new series on ABC, "Streethawk," features Rex Smith as a federal undercover agent. "Partners in Crime," on NBC, stars Loni Anderson and Lynda Carter as detectives in San Francisco. In "Murder, She Wrote" on CBS, Angela Lansbury portrays a mystery writer who becomes a crime solver.

Broadcasters say the new programs are not as violent as many recent movies for theaters or the rash of police shows that triggered protests against TV violence several years ago. But producers hope the shock level will be enough to rebuild prime-time network audiences, which have been declining for nearly a decade.

Since the 1976-77 season, the networks' share of evening viewers has dropped from 91 percent to an estimated 76 percent in 1983-84, according to measurements by the A. C. Nielsen Company. Broadcasters especially want to attract more men, who increasingly have turned off network shows at night.

Independent stations, cable channels, public television and movie theaters—which may break box-office records this year—are widely cited as contributing to the cut in network audiences.

Producers say one of the biggest considerations in developing new shows is whether they will have long-term appeal—attracting audiences as syndicated programs on local stations after first appearing on the networks. Most shows become profitable only after syndication, and crime shows often have such appeal.

Says an executive of Universal Television, which will have 10 hours of prime-time programs on the air this fall: "What you need is a show that will please most of the people and is marketable five years after production. 'Magnum, P.I.' would be typical of what the marketplace is hungry for."

The Big Three also will be fighting back with a wide range of miniseries, many of which are intended to surprise or shock. ABC will show "Hollywood Wives I-II," based on a novel about the movie capital's "glittering social scene." CBS has scheduled "The Atlanta Child Murders," based on an actual series of murders. "A.D.," about turmoil and scandal in ancient Rome, will appear on NBC.

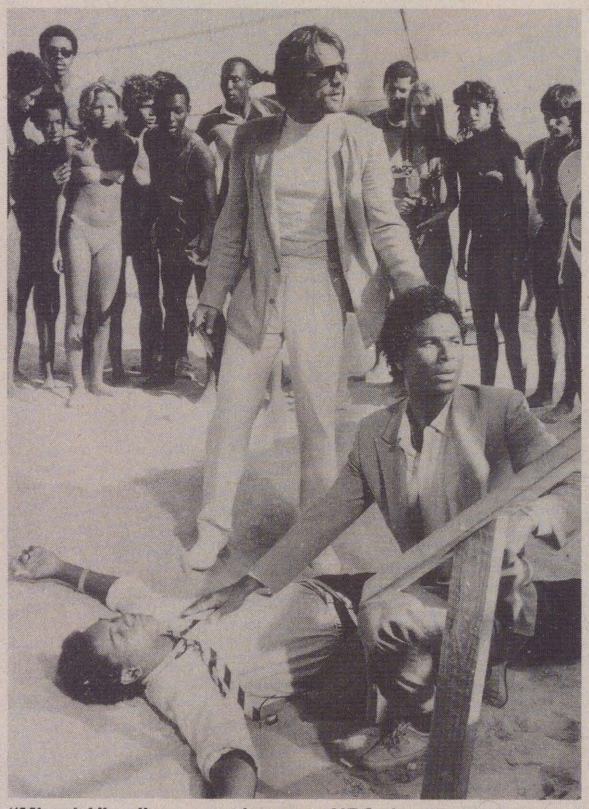
Controversial themes also will be prominent in made-for-TV movies, including CBS's "Somebody Knows," about a woman running for political office who is threatened by a blackmailer, and "Silence of the Heart," a drama about a family coping with the suicide of a teenager.

"City Killer," on NBC, depicts a psychopath trying to intimidate a woman he loves by planting a bomb in the building where she works. "Embassy," on ABC, portrays the crisis in an American embassy abroad when the ambassador's daughter is kidnapped.

Other forms of entertainment, such as situation comedies, will appear on TV screens in reduced numbers. The reason: Sitcoms generally do not appeal to as many viewers as they once did. Not a single comedy placed in the 10 highest-rated shows during the past television season.

"Tastes change," explains an NBC official, "and we go along with the changes. This is a violent society, and TV reflects life." □

By WILLIAM MacDOUGALL with STEVE HAWKINS



"Miami Vice," a new show on NBC, is among wave of crime programs that are striving for realism.

What PBS Has Up Its Sleeve

A sampling of new public-broadcasting shows:

"The Brain"—An eight-part series about secrets of the human brain.

"Wonderworks"—Series of adventures, dramas and comedies about young people growing up.

"Heritage: Civilization and the Jews"—Series traces evolution of Jewish thought and literature.

"The Constitution: That Delicate Balance"—Lawmakers and others debate hypothetical cases based on constitutional issues.

"From the American Film Institute"—Films produced by some of the nation's independent film makers.

"Adam Smith's Money World"—Weekly program about the U.S. economy.

"The Frugal Gourmet"—Low-cost cooking as demonstrated by chef Jeff Smith.

"The People vs. Dan White"—A special re-enactment of the trial of a man convicted of killing San Francisco officials.

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IN YOUR PERSONAL PLANNING

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LINING UP THE RIGHT COLLEGE

For high-school seniors who plan to begin college in the fall of 1985, now is the time to get serious about finding the right school.

HOW TO SEARCH. Don't worry, advises the College Board. Among the more than 3,000 accredited colleges in the country, there are likely to be many that meet your specific needs and objectives.

Financial aid. Don't rule out any school because of cost. Millions of students qualify for financial aid to cover the difference between what a college costs and what they can afford to pay. Be sure to ask about assistance when you first contact a college.

Self-assessment. To make the right choice, it's important to know why you are going to college. Make a list of reasons. Discuss them with your parents, teachers, friends. Next, assess your strengths: Are you a good student? In what areas are you best? Are extracurricular activities--sports, music, clubs--important to you? Are you eager for new experiences, or do you prefer a familiar environment?

School characteristics. Now, consider what kind of school you want to attend. What are your preferences in terms of location, two-year or four-year degree, co-ed or not, religious affiliation (if any), size, majors, housing, social life?

TAKING A HARD LOOK

Narrowing the list. Using references such as "The College Handbook" and "Index of Majors"--published by the College Board and available in most high-school counselors' offices and public libraries--try to find 10 or 20 colleges that seem to fit your needs. Learn as much as you can about them. Write for college catalogs, talk with recruitment or admissions officers, and, if possible, visit the campuses.

Applying. How many applications you should file depends upon the schools' admissions policies. Those with open admissions admit nearly all applicants, sometimes even those without high-school diplomas. Those with selective policies admit almost all applicants who meet explicit requirements. Colleges with competitive policies admit only 56 percent. The time to apply: As soon as possible in your senior year.

AUTO PRICES—BE PREPARED

COSTLY NEW CARS. Shopping for a new car? Be prepared for a shock, advises the American Automobile Association. Instead of negotiating a deal below the manufacturer's suggested price--the traditional practice--some dealers are imposing additional fees of $2,500 and more in response to growing public demand for Japanese cars, as well as some German and U.S. models. These fees come in three forms: Extra markups or additional dealer profit, predelivery preparation, and dealer-installed accessories. All should be considered negotiable, says AAA.

AIRPORT DELAYS. Travelers passing through six major airports may see fewer flight delays as a result of a plan given tentative approval by the

(over)

airline industry and the Federal Aviation Administration. The proposal would space out flights to and from LaGuardia, Kennedy and Newark airports in the New York City area, Chicago's O'Hare, Atlanta's Hartsfield and Denver's Stapleton Airport to ease congestion during peak hours. The plan is scheduled to take effect on October 28 at the beginning of the winter-travel season. Most airlines have committed themselves to the plan for at least six months.

INFANTS AND SOCIAL SECURITY

AN EARLY START. A sign of the times: Many parents are applying for Social Security numbers for their new infants soon after they are born. The reason is that getting a Social Security number is the first step before putting any interest or dividend-earning assets under a child's name. To apply, parents need two documents: Evidence of a child's age and citizenship--a birth certificate is preferred--and proof of identity, such as medical records or a passport.

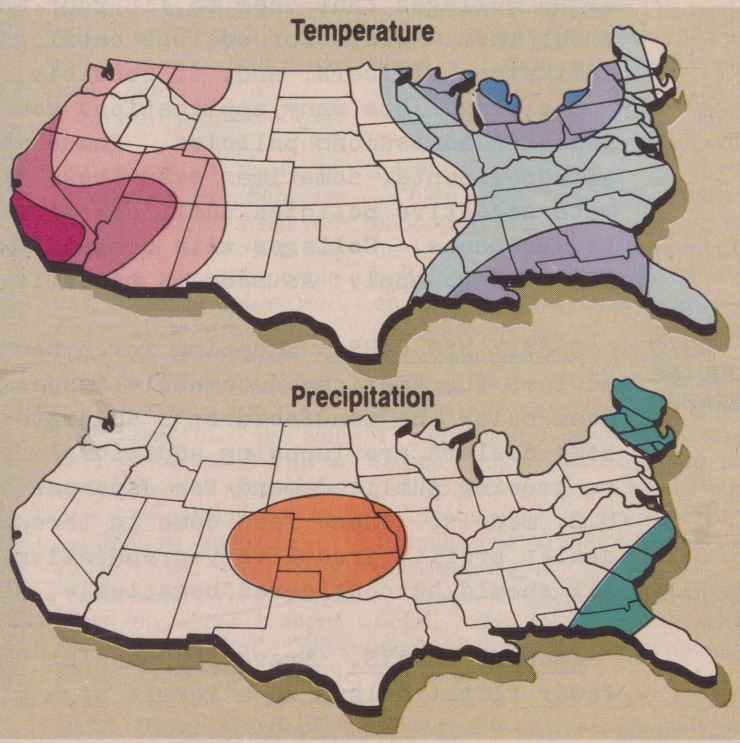
GOVERNMENT MANUAL. Business executives, teachers, students and others with an interest in federal activities may want a look at the 1984-85 edition of "The United States Government Manual," which just went on sale. The $12 manual, published annually, contains 913 pages of up-to-date information about federal programs, including names, addresses and telephone numbers of key officials. Write: Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

TOO MANY VITAMINS, MINERALS?

HEALTH WARNING. Too much of many vitamins and minerals can be as harmful to your health as too little, warns the Agriculture Department's Human Nutrition Research Center. Overdoses of certain vitamins, such as A and D, can make you seriously ill, and large doses of vitamin E over long periods can produce flulike symptoms.

Cool, Wet in Eastern U.S. Through Mid-October

The East Coast should have cooler weather than usual through mid-October, says the National Weather Service, while the Far West should have temperatures that are above normal. New England and the coastal South should have more rain than usual.



Chances of being warmer than normal

Chances of being cooler than normal

Chances of being wetter than normal

Chances of being drier than normal

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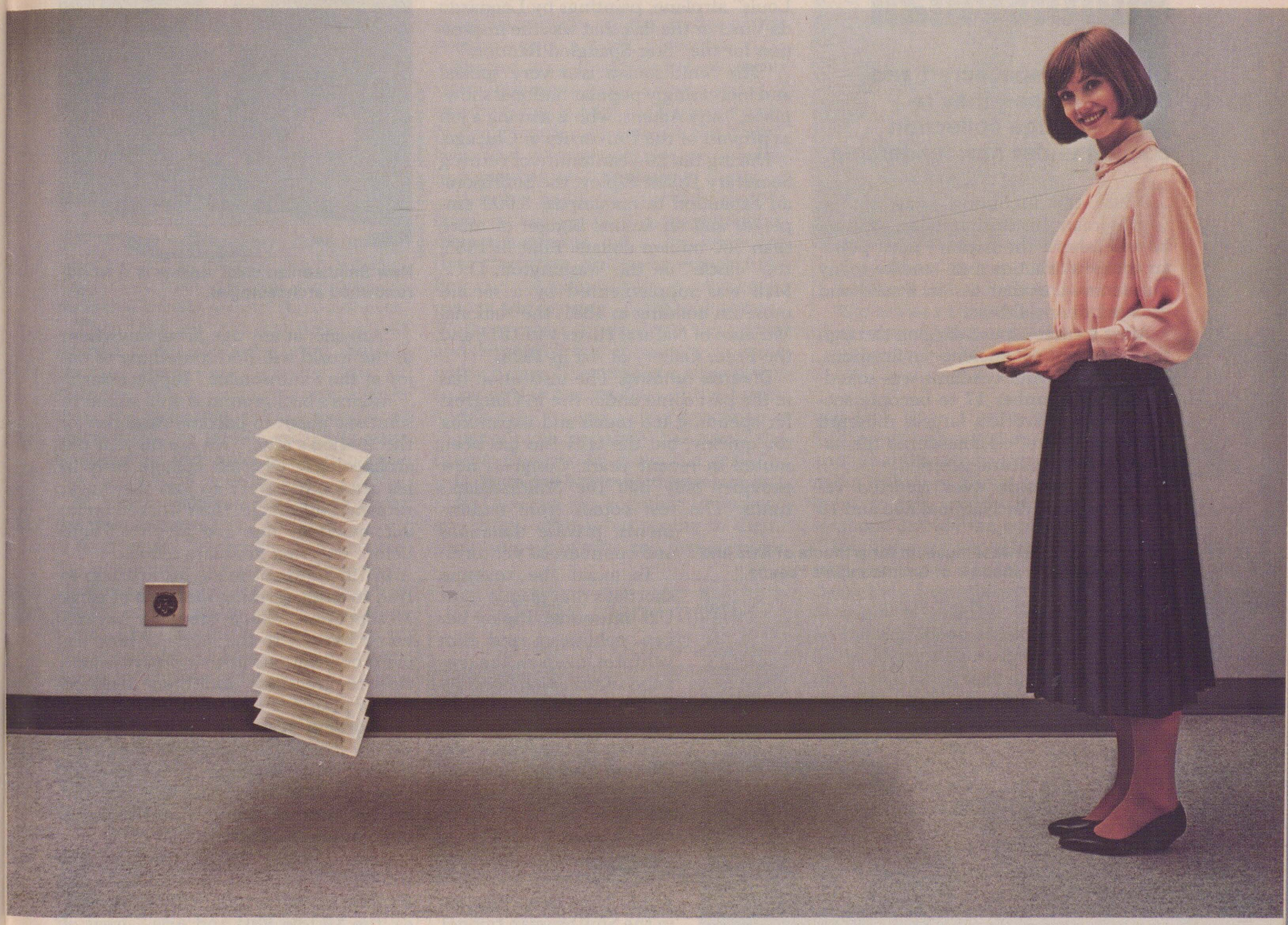

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New Guard for Treasures of Smithsonian

Diamonds, spacecraft and Ike's pajamas—they're part of a huge collection coming under new leadership.

When the incoming head of the Smithsonian Institution takes charge, he will inherit the nation's most popular tourist attraction and—unlike many museums—one that sits on a solid and growing financial base.

After a career spent digging through the remains of ancient civilizations, Robert McCormick Adams was scheduled on September 17 to become secretary of the world's largest museum complex, a job often considered the nation's highest cultural position.

He will preside over assorted research centers, the National Zoo and 13 museums that display the nation's most valuable scientific and cultural artifacts.

This year alone, more than 25 million visitors have come to touch a moon rock, visit the pandas or gaze at such treasures as the Hope diamond, the "Spirit of St. Louis" airplane, paintings by Leonardo da Vinci or the flag that was the inspiration for the "Star-Spangled Banner."

"The Smithsonian is a very special and increasingly popular national showplace," says Adams, who is leaving a job as provost of the University of Chicago.

During the 20-year tenure of retiring Secretary Dillon Ripley, the Smithsonian expanded to encompass 5,000 employes and an annual budget of more than 300 million dollars. Built in 1855, the "castle" on the Washington, D.C., Mall was supplemented by a second museum building in 1881, the National Museum of Natural History in 1911 and the Freer Gallery of Art in 1923.

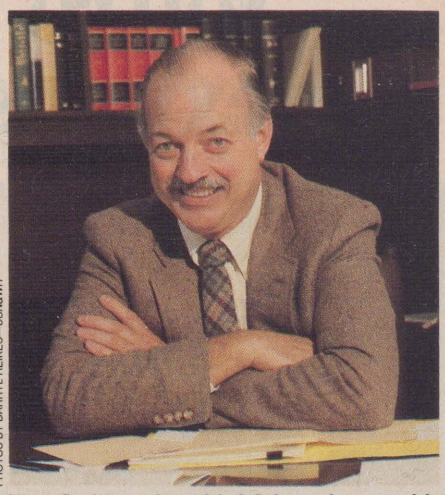
Diverse funding. The institution has in the past come under fire in Congress for spending too much and expanding too quickly, but the criticism has been muted in recent years. Congress now provides only half the Smithsonian's funds. The rest comes from endowments, private donations and commercial ventures.

Construction of newest museum for artifacts of Asia and Africa goes on in shadow of Smithsonian's "castle."

To avoid the revenue shortfalls that plague most U.S. museums, Ripley began publishing and film ventures, oversaw the creation of the Hirshhorn art gallery and the National Air and Space Museum, and began a traveling exhibition and the summer Festival of American Folklife. Says Ripley: "We're able to spend a lot of money for acquisitions and exhibits, a lot more than would have been possible in the Smithsonian budget of a few years back."

Now, the museum collection has some 100 million artifacts and grows by 1 million annually. The list includes 77 spacecraft, 7 million beetles, 20 pipe organs, 114,429 bird eggs, a wad of tobacco carried by Robert Peary to the North Pole in 1909 and a pair of red pajamas worn by President Eisenhower.

With such acquisitions, the institution has broadened its appeal to many constituencies—even though only 1 percent of the museum's collection is on display at any time.



PHOTOS BY DARRYL HEIKES—USN&WR

New Smithsonian chief Adams is a world-renowned archaeologist.

"Anyone, at any age, from anywhere in the world will find something to enjoy at the Smithsonian," Ripley asserts.

Adams's background is well suited to someone about to become caretaker of the "nation's attic." He is a 58-year-old archaeologist who left college early in his academic career to join the Navy, returned to college, then worked on an auto-assembly line and in a steel mill before entering graduate school.

In 1950, Adams made his first trip to Iraq to study farming methods of early Mesopotamia. Since then, he has devoted himself to the study of how ancient civilizations in that desert region rose to greatness and then declined over a period of thousands of years.

"Working scientist." Princeton University President William Bowen, who headed the search team that chose Adams, calls him "a working scientist who bridges arts, humanities and sciences in a unique and extraordinary way."

Under Adams, the Smithsonian will complete a planned addition to house displays on the art and culture of Africa, the Middle East and Asia—areas of the world in which the Smithsonian has an acknowledged weakness.

In the wake of the enormous growth that has occurred in the past two decades, Adams has indicated he is unlikely to attempt further expansion soon or change the Smithsonian's current mix of exhibitions. However, he intends to stimulate independent research done by the Smithsonian and to increase the involvement of foreign scholars by promoting more international exchanges.

Above all, Adams is determined to maintain the Smithsonian's inviting and open environment, a place where visitors can ride a carrousel and snack at a 19th-century soda fountain, then head off to see dinosaurs or space capsules. □

By STANLEY N. WELLBORN

Labor *Interview With Harry Levinson, Psychologist*

Coping With "Fear, Anxiety" Of a Corporate Merger

The "psychological wreckage to people" is often ignored when companies are sold, says a leading expert.

Q. Mr. Levinson, how has the recent wave of corporate mergers and acquisitions affected employes?

A It has caused them to suffer a great deal of fear and anxiety, not knowing what's going to happen. Such workers must deal with constant rumors—rumors that usually present the worst case.

Then they are told that nothing will change under the new setup, but, of course, there are usually lots of changes. Often, acquiring companies view the firm that they've bought as being too fat or inefficient. They want to come in and quickly show people the "right way" to do things.

Q. Which employes seem to be under the most pressure?

A It varies, depending on who has the power and who is in on the negotiations. Generally, the most helpless people are those in middle management. They normally have no say in the acquisition or merger or in what's going to happen afterward. Yet they have reached a level that prevents them from finding a comparable job as easily as lower-level workers can. Many top managers, on the other hand, get "golden parachutes" that give them at least some protection.

Q. Does productivity drop during the period that precedes a merger?

A Often, yes, for a couple of reasons. First, the impending changes can lead to depression and lethargy. Also, a tremendous amount of time and energy gets wasted as people try to figure out what's going on, who's going to have the power and so on. Interestingly enough, absenteeism isn't usually a problem since people will come to work to keep in touch with things.

Q. What about the toll on workers?

A You tend to get the usual symptoms of stress—stomachache, headache, backache. Studies at Johns Hopkins indicate that some of the most serious manifestations of employe stress, such as heart attacks or even suicides, may not show up until some years after a corporate merger is completed.

Q. Just how should companies go about minimizing these problems?

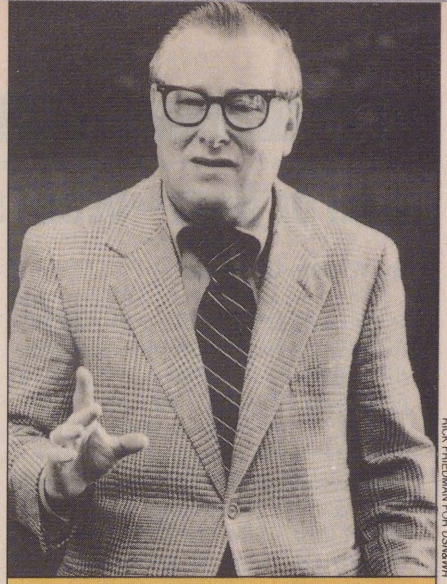
A The first step is to increase communication. Give employes frequent progress reports on the status of the merger—once a week, if possible.

Second, it's a good idea to have teams from both organizations start a series of meetings just as soon as the deal is completed in order to smooth the transition. That gives people a sense of being in control of what happens to them.

It helps to bring together people from various levels of management in discussion groups so that they can voice their concerns, explore new opportunities and, in effect, have a chance to mourn the passing of the old system. Workers need to disgorge the anger and depression that almost always come with change. The ultimate objective is to recognize the realities of the future and to rally around a chief executive—someone who hopefully has taken the time to describe his plans and goals.

Q. What can employes themselves do?

A They can join together to find out as a group what is happening to them. Sometimes, however, top management will look upon this as being disloyal. Still, every individual needs to sit down and analyze what the changes will mean to him or her as an individual. It helps to talk such matters over with someone outside the company.



RICK FRIEDMAN FOR USN&WR

President of his own institute, Harry Levinson, 62, conducts seminars and advises businesses. A lecturer at Harvard Medical School, he also writes on mental-health topics.

It is also very important to keep your family abreast of developments because they have the same anxiety you do about the change. After all, we may be talking about a situation that calls for having a wife look for a job outside the home or postponing a major purchase. If you do get the ax, get all the details on what you can expect in the way of severance pay—normally a month's pay for every year of service—and outplacement aid.

Q. So it helps to be prepared—

A Sure. But most people tend to want to hang on to the status quo. They keep hoping they won't be the ones who are let go or have to pull up stakes. I keep telling people to prepare for alternative careers. I don't care how secure you think you are, no firm can promise a person a job for life any more.

Q. What adjustment problems occur for those who remain with an acquired firm?

A They have to cope with negative self images. Was it our fault that we were taken over? Some feel abandoned, as if the boss has suddenly sold them out.

Another problem is that the top executives of the acquiring firm often go off and do something else after the merger is completed, leaving lower-level officers with the tough task of dealing with anxious employes.

Unfortunately, when firms get involved in mergers, the focus almost always is on the financial terms and rarely on the psychological wreckage to people. □

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TAKING STOCK

Bull or Bear—What's in a Name

By William C. Bryant

When analysts start labeling the stock market bull or bear, look carefully. Investors who follow the pundits have been treated to a lot of confusion in recent months.

First, they were assured by most analysts that the drop in stock prices that began last October for the Standard & Poor's 500-stock index—and in January, 1984, for the Dow Jones industrials—was just a correction or pause in the bull market that broke out in August, 1982. The general impression given: Don't panic. Everything is going to turn out all right.

However, as the decline persisted, technicians began talking of a "new bear market," a diagnosis that became more common until it seemed likely to be a consensus, when all of a sudden last month came one of the sharpest of recoveries.

Now again, a majority of opinion makers have come around to the view that the bull market was and is alive and kicking and all that happened was a normal correction.

The label effect. Does it make any difference to the investor whether the market is described as bull or bear? The answer is, yes, it is more than academic. Even investors who do not consciously try to catch the swings in the market are likely to be influenced by where they think stocks are heading.

When conviction grows that a bull market is in progress, the tendency is to commit funds quickly because delay means having to pay more and gain less. Conversely, when people hear repeatedly that we are in a bear market, they become cautious. Even if they decide an issue is worth buying, they may still hang back, figuring it will become a better bargain.

For example, investors who heeded the gloomier technicians this summer had cause for regret. When International Business Machines fell to about $100 a share, several chart watchers predicted the market would drop and IBM with it. But relative to earnings, the stock had rarely been so cheap, and, after closing one day at $99, it rose more than 25 percent, a market leader.

Adding to the confusion for investors is the fact that there seems to be no generally accepted measure of what constitutes a bull or bear market, though the broad meanings of the terms are simple:

A bull market, in the words of Robert Nurock, publisher of the *Astute Investor,* an advisory letter, and inventor of the "Wall Street Week" technical market index, is a "period of time of broadly rising prices." A bear market is the opposite. But how much do prices have to move to warrant those labels? The answer is often in the eye of the beholder.

True bear market? When high-technology issues and many over-the-counter stocks were hit hard during the past year, many technicians turned pessimistic and fanned bear-market talk.

Yet, to Nurock, a bear market is characterized by a 20 percent drop in such indicators as the S&P or Dow Jones industrial indexes. On that basis, there never was a "new bear market" in 1983-84. A bull market, in turn, means a 20 percent increase to him.

Part of the difficulty in telling bull from bear stems from the speed of change nowadays. Ralph Bloch, vice president and investment strategist at Moseley, Hallgarten, Estabrook & Weeden, says that market moves are "more compact and much more violent." Nurock agrees, blaming the growing role of big institutions, listed-options trading and rules changes that give brokers more leeway to trade off the floor of the New York Stock Exchange. With little investment of capital, brokers buy massive blocks of stock outside the exchanges and, by using stock options, eliminate risk. Such block trading, says Nurock, increases the volatility of the market. Institutional buying, arranged through brokers, sparked the skyrocket rise in August.

All this means trouble for individual investors.

If it has, indeed, become harder to label—let alone forecast—trends, that seems to argue for paying closer attention to the intrinsic merits of specific stocks, buying whenever they meet the investor's standards, selling when they don't and not trying to anticipate turns in the market.

William C. Bryant is a contributing editor of *U.S.News & World Report.*

FINANCE TRENDS

Banned bearer bonds. In response to protests by lawmakers, Treasury Secretary Donald Regan has banned further sales of government-backed securities to foreigners in anonymous, or bearer, form. Legislators said tax cheats in the U.S. would find a way to buy the issues. Treasury bonds purchased last month by Salomon Brothers, a New York investment firm, and repackaged for sale abroad as bearer bonds, won't be affected by the ruling.

Caps for ARM's. Legislation to limit interest-rate increases on adjustable-rate mortgages was approved by the Senate on September 12. The measure would allow the rate to rise no more than 5 percentage points over the life of the loan.

More mortgage money. A measure that would make it easier for banks and savings associations to raise funds by issuing mortgage-backed securities was approved by the House of Representatives on September 11. The bill would let the institutions compete with the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, two congressionally chartered agencies that currently dominate the secondary mortgage market. Supporters say the measure, which is expected to win Senate approval, will increase the supply of credit available to home buyers.

Costly protection. Antitakeover measures used by 171 firms during the past four years cost their shareholders 1.35 billion dollars, according to a report by the Securities and Exchange Commission. In a period when stock prices generally declined by 2 percent, the SEC found, prices declined by an average of 3 to 5 percent for corporations that had amended their charters to make hostile takeover attempts more costly.

Drop in rates. The average return on three-month Treasury bills sold September 10 fell to 10.39 percent, down from 10.63 a week before. Rates on six-month bills slipped to 10.49 from 10.75.

TAX RULINGS

With Pocketbook Impact—

Official's expenses. Councilman Blaine's office space and staff provided by the city did not permit him to fulfill his duties adequately. So he rented larger quarters, added eight new staff members and paid the extra expense himself. He asks the Internal Revenue Service how, if at all, he can deduct those outlays.

A 1959 revenue ruling held that local officials who serve without pay can deduct as charitable contributions the expenses they incur in their official activities. But such deductions are subject to legal ceilings.

More recently, the courts have held that payments to charitable organizations do not qualify as deductible donations if the taxpayer's trade or business might benefit from the payment.

Now, the IRS has re-examined this whole issue and, in a new decision, has held that the outlays by Councilman Blaine benefited his business as an official, even though he got no monetary gain. Thus, if he itemizes deductions, he can list the expenditures as business expenses—and not as charitable donations subject to ceilings.

The 1959 ruling is revoked. As a result, local officials will not be able to deduct their unreimbursed expenses under a brand-new rule that grants charitable deductions to individuals who do not itemize.

Art donations. If an art collector who wills a work of art to a charity never owned the copyright interest in the work, his estate will still be allowed a charitable deduction under IRS regulations now issued to implement new legislation. The IRS provides examples to clarify several points.

Foster child. A taxpayer who maintains a home for himself and a dependent foster child is, in general, qualified for the status of head of household for return-filing purposes. So says the IRS in a new ruling clarifying apparent conflicts in the law.

Requests for citations should be addressed to Reader Service, 2400 N Street, N.W., Washington, D.C. 20037.

NEWS-LINES®

Court and Government Decisions With Impact on Business, Employes, Consumers

Manufacturers must make products safe even for hypersensitive persons, rules the Washington Supreme Court. It rejects a mobile-home maker's argument that it was not liable for a woman's severe reaction to formaldehyde in one of its homes because she was among an insignificant percentage of the population that could have had such a reaction. The court replies that because formaldehyde is harmful to a foreseeable percentage of users, the manufacturer had a duty to protect all consumers from all its harmful effects.

No-beard policies can violate the rights of black males, a U.S. district court finds. It orders reinstatement of a store employe fired for refusing to shave because of a skin affliction known as pseudofilliculitis barbae (PFB). Pointing to a study showing that PFB affects up to 83 percent of black males who shave, but only 1 percent of white males, and that the condition can be overcome only by growing a beard, the court finds no-beard rules exclude a disproportionate number of black males from employment. However, PFB sufferers can be required to keep facial hair neatly trimmed, says the court.

Parents with adequate means have a duty, under Maryland law, to support an adult offspring who becomes mentally or physically disabled, the Maryland Court of Appeals says. It rejects a father's contention that he does not have to support his 23-year-old daughter, who had become mentally ill. At the same time, the court notes, children who are able have a similar duty, under state law, to support incapacitated parents.

Nursing-home charges can be limited by states, decides a U.S. appeals court. It upholds a Minnesota law prohibiting nursing homes that participate in the state's medicaid program from charging nonmedicaid recipients more than 10 percent above medicaid rates. The court points out that homes cannot claim a violation of the Constitution's right to due process because, should they find the rates insufficient, they can opt out of medicaid and charge patients any amount they choose.

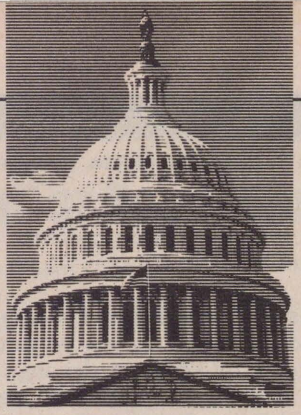
Towns may be liable for injuries caused by drunk drivers permitted by police to keep on driving, decides the Massachusetts Supreme Judicial Court. Police in the town of Ware stopped an intoxicated driver but then allowed him to drive away. The motorist later was involved in an accident. The court finds that police had a duty to act with reasonable care to prevent harm when they observed an immediate threat that could result in serious injury.

Personal appointment calendars kept by federal officials need not be disclosed under the Freedom of Information Act, according to a U.S. appeals court. In refusing a request for the appointment book of William Baxter, a former assistant attorney general, the court holds that a "use" analysis must be made to determine what constitutes an agency record that must be disclosed. The calendar, used only by Baxter and not distributed to other employes, is not such a record, the court says.

Company lawyers are entitled to age-bias protection when they can prove that they are not bona fide executives, determines a U.S. appeals court. It upholds a $242,000 award against Union Carbide for its dismissal of a staff lawyer at age 65. The court finds the lawyer was primarily doing legal work and thus did not fall under the executive-exclusion provision of the Age Discrimination in Employment Act.

Independent contractors cannot sue for employment discrimination, a U.S. district court decides. When an insurance company terminated an agent, she claimed that she had been wrongly discharged on the basis of her race, color, sex and national origin. The court dismisses her suit, finding that she was not an employe in terms of the Civil Rights Act because she was paid only commission, was not entitled to unemployment or workers' compensation and did not have Social Security taxes withheld.

Conclusions expressed here are based on decisions of courts, government agencies and Congress. For reasons of space, these decisions cannot be set forth in detail. On written request, U.S.News & World Report *will refer readers to the basic material.*



The Editor's Page

Mondale's Gutsy Try

By Marvin Stone

Walter Mondale's master plan to cut the federal deficit is explained in detail on pages 16 to 18 of this week's issue. In a nutshell, it would raise money primarily by soaking the "rich" and save money by trimming defense spending and holding the line on some social-welfare programs.

There is something in this elaborate plan to offend almost everyone, and not nearly enough to assure skeptics that it will work. Nevertheless, Mr. Mondale deserves credit for the courage, in the midst of a presidential campaign, to lay it on the line, to try to meet head-on a serious and growing problem—because the federal debt, now nearing 1.6 trillion dollars and increasing at the rate of 200 billion dollars a year, is a painful problem indeed.

In fact, this country is running up two deficits that are far too mammoth to be allowed to continue. Aside from the federal budget deficit, consider the foreign-trade deficit, which will top 120 billion dollars this year. These deficits will ultimately accumulate faster than our ability to manage them.

Confusion arises over budget deficits because they are a two-edged sword. In bad times, the added cash they pump into the economy helps boost sales and gets business rolling again. People shrug off the long-term danger.

But in good times, such as now, the deficits can lead to new inflation and a new recession. For one thing, Uncle Sam grabs the funds he needs to service the national debt and leaves fewer dollars available for private borrowers, a move that pushes up interest rates. Possibly more important, when deficits rise, investors' fears of new inflation do likewise. So, they charge higher interest rates in order to preserve the purchasing power of their money. When rates rise, firms planning new borrowing eventually have to back off, and other businesses that need credit to operate day to day cut back or give up. That slows the economy and hurts everyone from farmers to factory hands, from merchants to traders.

Given the chance, would Mondale's plan work? Republican economists, not surprisingly, think not: They support the President's present course, based on resisting vigorously any personal tax increases, relying instead on an expanding economy to increase revenue while reducing spending on welfare benefits. This tack wins support from others less partisan as well.

Overlooked in the give-and-take is the role of Congress. Could Mondale realistically expect to keep 535 lawmakers in line on spending any more than Reagan has—or, for that matter, a long line of his predecessors? In 1960, the budget showed a slight surplus. In 1970, the budget showed a deficit of roughly 3 billion dollars. This year: More than 170 billion. As long as Congress, in the easy-money mood of the past decade, fails to place proper restraints on spending, the deficit will keep surging.

Even now Congress is on another of its election-year sprees, pouring out added billions for cost-of-living adjustments, special-interest legislation, water projects for hundreds of congressional districts, and a vast variety of other pork-barrel projects.

President Reagan, at his news conference on September 11, in characterizing the Mondale plan as less a deficit-reduction plan than "a tax-increase plan," pointed a stern finger at a profligate Congress by suggesting that if he had been granted what he had asked for in the budgets he has submitted to date, "the deficit today would be 40 to 50 billion dollars less."

Because of the reservations about the Mondale plan, the Democratic candidate seems not to be getting it off the ground. Even so, Mondale's is a sincere effort to come to grips with a damaging—yes, an obscene—federal deficit, and it should not be shrugged off. He has tried to raise a serious problem to a national level of consciousness. In the forthcoming debates between the two candidates, we should hear more, and we should listen closely.

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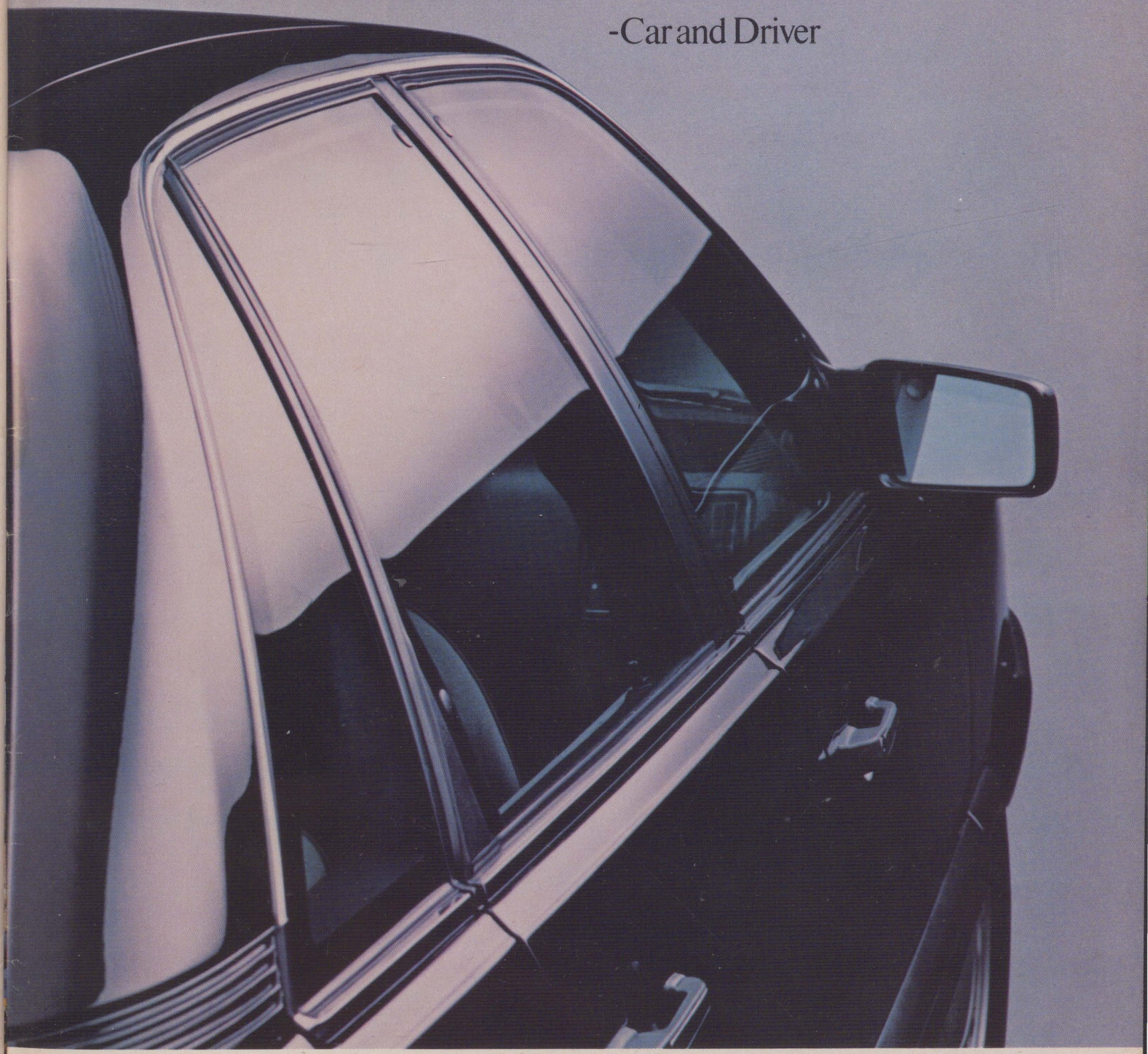

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